

China National Textile and Apparel Council
Ethical Trade Initiative

A Survey Report on the Status Quo and Risk of Corporate Social Responsibility in Chinese-Invested Overseas Textile and Apparel Enterprises

— Examples of Bangladesh and Myanmar



Preface

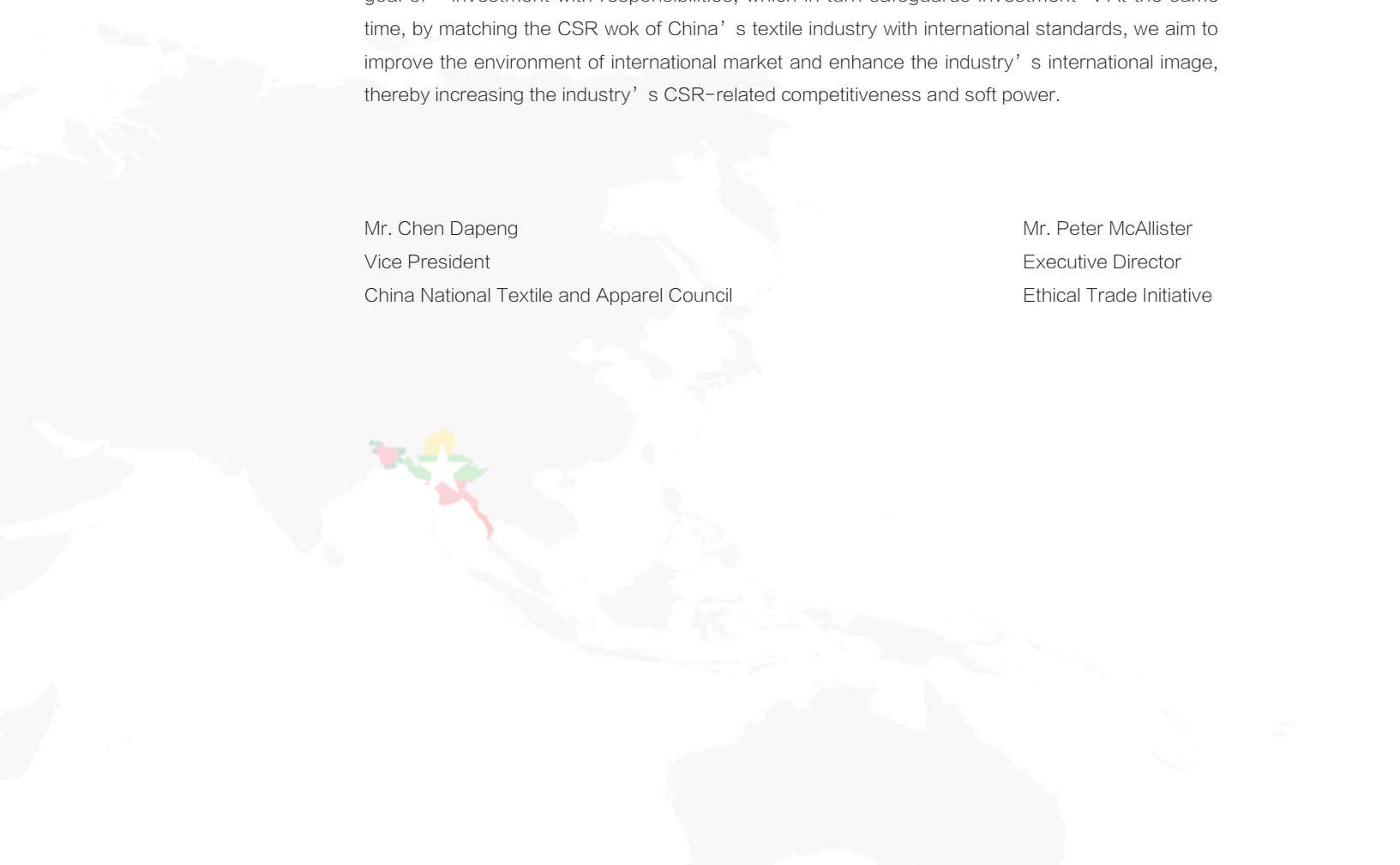
Since the Chinese government launched the Belt and Road Initiative, Chinese enterprises have been facing a brand-new landscape and development opportunities in their “Going Global” efforts. In 2016, the textile industry’s outbound direct investment reached a historical high of USD 2.66 billion, 89.3% more than that in the previous year. Thanks to international cooperation on production capacity, China’s textile industry can achieve cross-border integration of industry chains and lift its status in the global value chain, thus helping a number of developing countries achieve development and win-win outcomes. As countries and regions along the Belt and Road improve their policies, regulations and infrastructure for economic development, textile enterprises that “went global” in the early stages have initially completed the layout of their overseas operations.

Nevertheless, like other industries, China’s textile and garment enterprises have attracted more and more attention on their social and environmental impact from the international community during their globalization drive. Negative reports about clashes between Chinese enterprises and the local industries and workers appear from time to time, because many Chinese enterprises have limited experience in overseas operation, lack understanding of local culture, customs and business environment of the host country, and sometimes neglect risk management. Therefore, it is essential for China’s textile and garment enterprises to focus on corporate social responsibility, and to manage potential risks as they expand overseas.

We hope these research results will inspire textile and garment enterprises to attach importance to social responsibility while investing overseas. We aim to enhance the capacity of social responsibility management and the level of communication between stakeholders to achieve the goal of “investment with responsibilities, which in turn safeguards investment”. At the same time, by matching the CSR work of China’s textile industry with international standards, we aim to improve the environment of international market and enhance the industry’s international image, thereby increasing the industry’s CSR-related competitiveness and soft power.

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September 2017

Acknowledgment

This Guide is one of the deliverables of *A Survey Project on the Status Quo and Risk of Corporate Social Responsibility in Chinese-Invested Overseas Textile and Apparel Enterprises*, which was jointly sponsored by China National Textile and Apparel Council and Ethical Trading Initiative (ETI). This survey project has received strong support from many people, at home and abroad alike. First of all, we want to thank the managers of more than a dozen Chinese and foreign enterprises, for the success of this survey project is impossible without their participation. Our gratitude also goes to many stakeholders taking part in research interviews in Bangladesh and Myanmar. They include the Economic and Commercial Counsellor's Office of the Chinese Embassy in Bangladesh, Economic and Commercial Counsellor's Office of the Chinese Consulate General in Mandalay, the International Labour Organization Office in Yangon, Center for Child Rights and Corporate Social Responsibility, Business Social Compliance Initiative, etc. Moreover, special thanks are hereby extended to Huang Wei, Feng Lan, Md Ekramul Islam for their assistance in the survey.

This project was undertaken by Zheng Jian and Sang Jing, members of the expert panel of Office for Social Responsibility of China National Textile and Apparel Council. Leaders of China National Textile and Apparel Council and China Textile Information Center, including Sun Ruizhe, Chen Dapeng, Qiao Yanjin, Yan Yan and Dong Kuiyong, also rendered strong support to the project team.

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Summary

I. About the Research: Background, Purposes and Basics

With the slowdown of global economic trade and increasing labor costs in China, export-oriented Chinese textile and apparel enterprises are making more and more overseas investments and building plants abroad. Most of these companies are leading Large-sized enterprises with strong financial capacity in the industry. With the implementation of the Belt and Road Initiative, “Going Global” has become a major trend, providing a broader development route for Chinese textile and apparel enterprises. It also enables more small and medium-sized enterprises (SMEs) to expand their overseas markets. With more and more Chinese textile and apparel enterprises engaging in overseas business, their behavior has attracted a lot of attention both in China and abroad. In particular, the corporate social responsibility (hereinafter referred to as “CSR”) fulfilled by these enterprises in other countries has become a focal point.

The textile and apparel industry was one of the first industries to promote the concept of CSR in China, and the earliest to launch a CSR management system. Generally, Chinese textile and apparel enterprises are to a certain extent aware of CSR. However, in the process of “Going Global” , all enterprises are concerned about adapting to local laws and requirements, and are coordinating interests with their stakeholders so as to fulfil CSR more effectively. In particular, the political ecology, economic development, and social culture of foreign countries are greatly different from China’ s, increasing uncertainties for enterprises as they seek to fulfil their CSR.



To better understand the relationship between “Going Global” and CSR, Office for Social Responsibility of China National Textile and Apparel Council (CNTAC) visited Bangladesh and Myanmar to undertake field studies in February and March 2017. Most of the visited enterprises were introduced by CNTAC members that have business investments in Bangladesh and Myanmar, while others were introduced by local economic and commercial counsellor’s offices of the Chinese Embassy. They are Large-sized Chinese-funded enterprises that exert a certain degree of influence. Through questionnaire surveys, interviews, and meetings, we visited 11 enterprises, as well as stakeholders such as local governments, industrial organizations, Chinese embassies and consulates, international organizations, NGOs and trade unions. A total of 108 questionnaires were collected, including 7 from enterprises and 101 from enterprise employees. In the process of visiting enterprises, we held meetings with responsible personnel (e.g. presidents, managers, and shareholders) and visited production lines and related facilities. Due to a tightened schedule from project approval to research, a limited number of plants under sampling for investigation, and non-randomness of site selection, there are limitations in the representativeness. Employee questionnaires were distributed to Myanmar employees in advance (translated into Burmese). From the employees’ responses, the selected samples were taken to represent the entire cohort. In terms of gender breakdown, male and female employees account for 12.5% and 87.5%, respectively. Regarding education background, graduates of primary school, junior high school, senior high school, undergraduate and postgraduate school take up 2.9%, 14.4%, 32.7%, 36.5% and 13.5%, respectively. Grassroots employees occupy 65%. In addition, in the survey process, we found that domestic authorities, overseas offices, and governments in the investment destination seriously lack data on Chinese textile and apparel enterprises invested overseas. Thus, we have had to obtain related data and background information from other channels. This report aims to reflect the status quo of Chinese textile and apparel enterprises fulfilling CSR overseas, and the challenges they face. It also offers suggestions to Chinese textile and apparel enterprises and stakeholders serving as a reference for related parties.

II. Highlights

Part I analyzes the background of Chinese textile and apparel enterprises going global.

The motives of textile and apparel enterprises making overseas investment are analyzed in terms of policy, trade, cost, and the needs of transformation & upgrading and corporate strategic development. It points out two routes adopted by Chinese textile and apparel enterprises to “go global”. In particular, it explains the layout of manufacturing bases and scale of “China + Supporting Countries”.

Part II briefs the situation of Bangladeshi and Burmese textile and apparel enterprises.

From the macro perspective, it analyzes the important role that the textile and apparel industry has played in the economic and social development of these two countries, as well as its advantages and weaknesses. With a combination of field studies and questionnaire surveys of the two countries, we summarize the major characteristics of Chinese textile and apparel enterprises in these two countries as follows:

1. Most of enterprises are engaged in garment processing. The incomplete textile industry chain and dependence on raw material imports in these two countries constrain the development of their textile printing and dyeing industry. Meanwhile, the textile industry features intensive capital investment; industrial transfer is slower than in the clothing industry. Thus, although these two countries have accepted the transferred clothing industry from other countries, fabric production is still undertaken in the ROK, China, and other countries.

2. Most enterprises are large-sized. In terms of employee scale, enterprises normally employ 1,000–2,500 employees. Regarding total capital, more than 50% of enterprises own capital of more than USD10 million. Regarding the nature of enterprises, most are private or joint ventures. They are listed enterprises in China, and have strong financial capacity. In terms of corporate structure, sole proprietorships and joint ventures with local enterprises share a similar proportion.

3. The proportion of local employees are high. Most enterprises employ more than 95% local employees. The proportion of local employees takes up at least 80%–90%. Normally, managers and technicians are from China, while the rest of the employees are employed locally. However, most enterprises have not been operating overseas for very long (normally only three years) and thus the localization of managers is not high.

4. Products mainly export to Europe and the USA. This is because European and American countries offer preferential tax policies to Myanmar and Bangladesh. Among the seven enterprises to which we sent questionnaires, all of the manufacturers sell their products to Europe (due to a 12% tax rebate), three enterprises sell to the USA, and one enterprise sells to Japan and Korea (this factory mainly sells to the Japanese and Korean markets, and set up a factory in Myanmar on the request of purchasers).

5. Enterprises have good profitability. From the returned questionnaires, two out of the seven enterprises earn 10%–15% profits, two enterprises earn 4%–9% of profits and one enterprise’s profit ratio is 1%–

3%. Two enterprises make a loss (one of them was put into operation in 2016). Generally, the profitability of these enterprises is higher than that of textile enterprises in China above a designated size (5.2% in Q1 2017). As these enterprises have only begun overseas operation recently and haven't entered the profitable period, the future is promising.

6. **Enterprises still need to strengthen their strategy of “Going Global”**. In terms of returned questionnaires; labor and tax incentives are still major motives for enterprises going global, while international buyers prefer low cost countries, which is a major external influential factor for enterprises expanding overseas markets. Generally, enterprises lack initiative and long-term development strategies.

7. **Enterprises lack understanding of local situation and professional talents**. Understanding laws, regulations, local cultural traditions, and international rules serves as a foundation for communicating with stakeholders, and a key step to attracting professional talent. If this problem cannot be solved, it will constrain enterprises' overseas development.

Part III focuses on analyzing the CSR fulfilled by Chinese textile and apparel enterprises in Bangladesh and Myanmar.

The report starts from the related laws, regulations, and market characteristics of these two countries, and introduces the macro-environment of the CSR fulfilled by enterprises there. Based on this, this report concludes with the major characteristics and weaknesses of Chinese-funded enterprises in fulfilling their CSR. The analysis consists of four parts, namely implementing labor standards, internal enterprise management & external coordination, the participation of international organizations and NGOs, and environmental protection requirements. Implementing labor standards includes labor contracts and working hours, minimum wage standards and benefits, safety & health protection, child labor prevention, labor relations, and other issues. Internal enterprise management and external cooperation cover three issues (i.e. enterprise internal management and strategy, communication with stakeholders, and negotiation with downstream purchasers and upstream suppliers).

From the survey and questionnaires, most Chinese-funded enterprises abide by laws and regulations in the destination country, as follows:

1. Employment Contracts and Working Hours

In terms of signing contracts, nearly 100% enterprises signed employment contracts with employees. There are only a few cases of non-signing of contracts. According to cross data comparison, these employees may have just started working at the factory and are still on internships. In terms of working hours, short-serving employees work longer hours, while grassroots employees and managerial personnel work longer than middle-level managers. Low-paid employees work longer. Regarding overtime hours, employees with longer overtime hours shoulder a heavier family burden or more responsibilities. The former work overtime to earn more money for their families, while the latter work overtime to meet job requirements. For overtime payment, most employees receive overtime compensation as per the regulations.

2. Minimum Wage Standard

Employees are satisfied with current wage payments. Comparing wage and workload, 58.8% respondents consider that their workload is equivalent or higher than earned salary and 39.2% of respondents believe their workload is slightly lower than their salary. Comparing wage and living standards, 92% of employees believe that their current salary meets their basic living needs. Young people and employees with higher education expect to earn a higher salary. However, employees with a better educational background can earn more and have a better life. Migrant workers face heavier living pressures, and hope to earn more. For employees who previously worked at other enterprises, most job-hopped for a higher salary. They are sensitive to salaries, and may job-hop again.

3. Employee Training

From returned enterprise questionnaires in these two countries, it was found that companies provide various types of training for their employees. However, from the returned questionnaire from Burmese employees, most employees (67.6%) expressed that they have not had any learning or training opportunities. Only 23.5% of employees have received other training after joining the company. Such a contradictory conclusion may be caused by misunderstandings between labor and management. For example, employees don't consider simple orientation training and guidance given by the "supervisor during the inspection as training. Meanwhile, when we visited enterprises, directors repeatedly emphasized a high turnover rate. Therefore, enterprises may be reluctant in employee training or prefer to leave training opportunities to employees with longer serving years (from the employee questionnaire survey, employees that have worked for 2-3 years receive more job training and other training).

4. Other Benefits

From the returned enterprise questionnaire, more than 95% of enterprises buy social security for their employees. According to our research, in addition to the necessary security system and facilities, the working environment at these companies is quite good in Bangladesh. Ventilation, staff density, dust management, and drinking water facilities have reached a certain standard. The surveyed Bangladeshi enterprises have set up an infirmary, a prayer room, and daycare facilities. Some of them provide dormitories for employees. In Myanmar, some enterprises set up shrines for employees to worship at. As Burmese factories normally don't provide dormitories, many enterprises provide shuttle bus services.

5. Safety and Health Assurance

From the returned enterprise questionnaire survey, all enterprises have formulated safety regulations. Most enterprises carry out strict fire safety training and drills. From the returned questionnaires from Burmese employees, they are satisfied with the work environment and health conditions. Only 5.8% of employees consider that their work may be dangerous. In addition, enterprises provide related labor protection facilities and equipment for employees. However, 7.8% of employees express that they are not taught how to use related facilities and equipment.

6. Child Labor Issues

According to our research, we did not find any child workers in the enterprises we surveyed. However, several enterprises mentioned that some young workers give a false age when applying for jobs. Factories strengthen recruitment control and check workers' ages and identification. However, it is difficult to totally eliminate child labor due to the difficult social background. Generally, enterprises will not terminate labor contracts with employees who meet the statutory working age but not the age required by suppliers. Instead, they ask these employees to choose between continuing their jobs or going back to school. For juvenile workers, factories express that they will provide special protection and ensure that their working

hours comply with the law.

7. Trade Unions

From the returned enterprise questionnaires, it was found that four out of seven enterprises have trade unions, while three enterprises do not. Among the Chinese-funded enterprises in Bangladesh that we surveyed in the export processing zones, all of them have WWA(Worker' s Welfare Association). Among our surveyed Chinese-funded enterprises in Myanmar, most factories organized Workplace Coordination Committee (WCC) to strengthen communication between the management and employees. However, employees seem dissatisfied with enterprises' efforts. From the returned questionnaires from Burmese employees, employees seek to solve labor disputes and work-related problems through related institutions or organizations. Among such organizations, employees prefer seeking help from trade unions. Workers are unlikely to trust the WCC.

Generally, enterprises strictly abide by related labor standards and thus create a sound working environment. From the returned Burmese employee questionnaires, employees are satisfied with the current working environment (only around 9% of employees are dissatisfied). Employees mainly talk with their colleagues about any work-related dissatisfaction, ideas, or suggestions. Therefore, managers need to strengthen communication with employees, understand their thoughts, and address their dissatisfaction. This is an important issue for Chinese-funded enterprises.

8. Internal Management and Strategy

Enterprises establish a set of internal organizing systems and regulations. From the returned enterprise questionnaires, all enterprises have a management department that is responsible for CSR. Some enterprises have independent departments or functions in charge of CSR. In addition, all of the enterprises have a code of conduct or related rules and regulations for social responsibility. Due to being established so recently, only a few of the enterprises have disclosed their CSR or reports (2 out of 7, 28.6%).

9. Communication with Stakeholders

The **surveyed enterprise questionnaire** results show that most enterprises have drafted or plan to develop policies and make commitments to communicate with stakeholders. Among stakeholders, employees and clients are the most important for enterprises, followed by investors, trade unions and suppliers, and then NGOs and local trade associations. Among the communicated issues, employee rights, safety, occupational health, and environmental protection are the most important. Regarding the concerns of stakeholders, enterprises normally give official replies or convene public meetings. However, enterprises are less aware of public charity and community participation. Over the last three years, only 50% of enterprises made charitable investments. Public welfare and charitable donations are mainly for employees, and enterprises donate less to community development, humanitarianism, disaster relief, and healthcare.

10. Coordination between Enterprises and Downstream Purchasers and Upstream Suppliers

From **our enterprise questionnaire survey**, it was found that more than 50% of brands and buyers include relevant social responsibility requirements into purchase contracts with garment enterprises, and have helped enterprises to meet social responsibility requirements through the formulation of supplier codes of conduct and third-party audits. Meanwhile, with brands, enterprises deliver training in employee rights to workers.

However, not all enterprises fulfil CSR in the process of purchasing and outsourcing, and formulate any ethical purchasing policies or codes of conduct for suppliers regarding raw materials or outsourced service suppliers. Although some enterprises have this policy, it doesn' t cover all businesses. Accordingly,

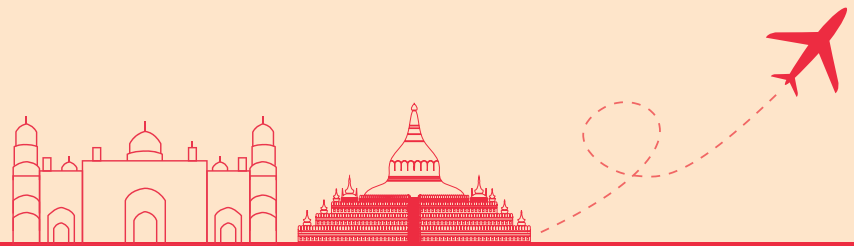
enterprises fail to supervise all aspects of the implementation of ethical supplier purchasing. It could be inferred that Chinese enterprises need to learn from Western brands in covering corporate social responsibility in the entire supply chain.

11. Environmental Protection Requirements

From the returned enterprise questionnaires, companies have set environmental protection requirements for the production process. The environmental protection and energy saving policies basically cover their businesses. Related improvement plans have been drafted. However, enterprises need to improve and monitor greenhouse gas emission, as well as waste reutilization, and use and re-use of renewable energy and materials. In addition, from the returned questionnaires from Burmese employees, 27.2% have no idea about corporate environmental protection and energy-saving regulations. Therefore, enterprises need to strengthen employees' environmental awareness.

Part IV offers suggestions about investment by Chinese textile and apparel enterprises in Bangladesh and Myanmar.

And how they can fulfil CSR. The general investment suggestion includes three parts: investment locations, areas, and approaches. This report offers CSR suggestions to enterprises and stakeholders. Major suggestions for enterprises include establishing an improved CSR management system, strengthening communication with employees, realizing localization management, paying attention to environmental issues, properly handling relationships with trade unions and NGOs, and using industrial associations more thoroughly. Major stakeholders include competent government authorities, purchasers, industrial organizations, international organizations, and NGOs.



I. The Background Behind Chinese Textile and Apparel Enterprises on the Way to “Go Global”

1. The Current Status of Chinese Textile and Apparel Enterprises

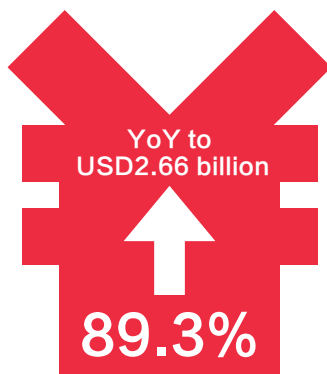
China is the world's largest manufacturer, exporter, and consumer of textiles and apparel. In 2016, Chinese fiber production accounted for 54.8% of the world's textile production and export, accounting for nearly 38% of the world's total. In recent years, with a changing domestic and international economic environment, the textile industry has projected an identical trend with domestic economic development. Indicators such as production scale, export volume, and total investment have gone down, following the "new normal" .

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According to data from the National Bureau of Statistics, the industrial value-added output of enterprises above a designated size grew by 4.9% in the textile sector, down 1.4 percent year-on-year; a main business income of RMB7.33023 trillion was achieved, up 4.1% YoY, slowing down 0.9 percentage points compared to the same period of the previous year; profits totaled RMB400.36 billion, up 4.5% YoY, slowing down

0.9 percentage points compared to the same period of the previous year; invested fixed assets stood at RMB1.28387 trillion, up 7.8% YoY, down 7.2% percentage points compared to the same period of the previous year.

In terms of export, in 2016, China's textile and apparel exports totaled USD270.12 billion, down 7.22% year on year, further declining by 2.44 percentage points YoY. Therein, export volume to the USA was USD38.533 billion, down 10.8% YoY; export to Europe amounted to EU35.965 billion, down 6.02%; and export to Japan was JPY2.395074 trillion, down 15.51% YoY. Both export volume and price dropped, and shares of three markets edged down as well. By contrast, Chinese enterprises are expediting their international expansion. According to statistics from the Ministry of Commerce, in 2016, foreign direct investment (FDI) of the Chinese textile industry hit a record high, up 89.3% YoY to USD2.66 billion.



In 2003–2016, the FDI of the Chinese textile industry was totaled at USD7.63 billion, with an annual growth of 28.25%, accounting for 7.89% of FDI from the manufacturing sector. Among them, the FDI stock of the textile industry was USD4.73 billion. The FDI stock of textiles, apparel, and clothing was USD2.059, and the FDI stock of the chemical fiber manufacturing industry was USD842 million. Since the financial crisis in 2008, the FDI of the textile industry has increased, with an annual growth rate of 30.88%. FDI in 2016 alone accounted for 34.86% of the total FDI stock of the textile industry

from 2003 to the present. In 2015–2016, the FDI of the textile industry accounted for 53.28% of total FDI since 2003 – more than 50%. This illustrates that the textile industry is accelerating its overseas expansion. By the end of 2014, more than 2600 Chinese enterprises began textile and apparel production, trade, and product design facilities in more than 100 countries and regions, while most investment went to Asia. According to statistics from the Ministry of Commerce, the textile industry mainly focused on coastal countries and regions. 80% of textile enterprises “Going Global” are from Zhejiang, Jiangsu, Shandong, and Guangdong provinces. Production covers the whole apparel industry from cotton, linen, and other raw materials to cotton spinning, wool spinning, and fabric. The FDI of Chinese textile enterprises covers typical forms such as greenfield investment, equity mergers and acquisitions, asset mergers and acquisitions, and joint ventures. Generally, the FDI of the Chinese textile industry has been projected in a multi-form pattern across various regions and sectors.



2. Major Motives Behind Textile Enterprises to "Go Global"

The "going global" of the textile industry meets market-oriented economic rules. From European and American experience, when a country reaches USD4750 GDP per-capita, it will accelerate its overseas expansion and become a net capital exporter. In 2011, per-capita GDP exceeded USD5000 in China. However, FDI was not in deficit until 2014 (according to statistics from the Ministry of Commerce, FDI was USD3.6 billion). Although the "turning point" was late to emerge, the net FDI pattern has taken shape. According to past experience and norms, this FDI expansion period will last for 5-8 years. In addition, as the largest manufacturer, exporter, and consumer of textile products and apparel in the world, China owns the most complete industrial chain. It also has a batch of advantageous enterprises with strong capital, technology, and talent capacity, which are capable of "going global". Judging by the experience of developed countries, the development of a textile industry uses multinational corporations as the carrier, and deploys a global layout to realize industrial upgrading and restructuring through both domestic and international markets.

In the development of the Chinese textile and apparel industry, the main motives for overseas investment cover the following aspects:

Policy Factor

(1) The Incentive from the National industrial Policy

Based on original incentive policies for overseas investment (e.g. preferential loans for overseas-processed trade), the Chinese government formulates many guidance policies to encourage Chinese textile enterprises to make overseas investments. In March 2015, the Chinese government officially published the "Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road" – a national strategy to drive the global layout and cooperation of Chinese capital and production capacity. Along with the China-Africa Development Fund, the Asian Infrastructure Investment Bank, Silk Road Fund, and other newly established financial institutions and vehicles are exporting capital from the national level. In May 2015, the State Council promulgated the "Guiding Opinions of the State Council on Promoting International Capacity and Cooperation in Equipment Manufacturing". It specifies a focus on developing countries, and encourages active exploration of markets in developed countries, as well as a push for more foreign investment. The textile industry is one of 13 major industries specified in the "Opinions". Meanwhile, the Chinese government is strengthening the signing and negotiation of free trade agreements, to eliminate the import tariff of the host country through negotiation and create conditions for enterprises to explore the overseas market.

The 13th Five-Year Plan for the Textile Industry particularly emphasizes the importance of expediting the international industrial layout and guiding advantageous enterprises to integrate global resources. The Plan points out that the textile industry should leverage the Belt and Road Initiative, as well as domestic and international markets and resources. It should actively guide advantageous enterprises to elevate the internationalization of textiles, integrate global resources, enhance international cooperation, and form multinational corporations with competitive advantages. Leading enterprises should be encouraged to expand raw material production and processing overseas, and build overseas bases for raw materials (such as cotton, fleece, and chemical fiber) to ensure stable supply. Support should be given to advantageous branded enterprises to enhance their brands in the target markets, and heighten their capacity for channel expansion through acquisition and equity capital cooperation. Information technologies (such as the Internet and the Internet of Things) should be used to build a fast response system to support overseas brands. By virtue of international intermodal passageways, convenient customs clearance, and investment trade facilitation of countries along the Belt and Road route, mutual recognition of the Authorized Economic Operator (AEO) should be conducted. Cooperation on technical standards with countries along the route should be enhanced to drive the development of relevant service sectors. In addition, cross-border e-commerce demonstration zones should be built.

Trade Factor

(2) To Eliminate Trade Barriers

After cancelling quotas on textile products, European and American countries frequently place restrictions on Chinese textile and apparel exports such as tariffs, anti-dumping, special protection measures, and trade barriers, in order to protect local enterprises. To respond to these protectionist measures, some enterprises build their factories in neighboring countries to overcome the limitations of their country of origin and avoid anti-dumping or special protection measures. Some enterprises directly organize production and sales overseas to avoid high tariffs.

(3) To Carry Special Trading Policies

Some developing countries sign bilateral preferential trade agreements on textile products and apparel with developed countries, in order to enjoy preferential import tariffs. For example, the EU announced the implementation of the Generalized System of Preferences to less developed countries, including many South Asian countries. For example, China must pay a 12% tariff to export clothing to Europe, while these countries are entitled to duty-free exports. To enjoy these preferential tariff policies, downstream purchasers usually ask Chinese enterprises to shift their production to these developing countries. Thus, some Chinese textile and apparel enterprises have to do so in order to keep orders and retain old clients.

Cost Factor

(4) Domestic Costs Keep Rising

The production costs of the textile industry consist of the following two parts: 1) material and energy costs, and 2) labor costs. In terms of materials and energy, since 2011 China has implemented a temporary cotton stock system to protect the rights of cotton farmers. It imposes high tariffs on cotton import, leading to severely insufficient high-quality cotton supply and high cotton prices in the Chinese market. Since 2007, textile enterprises have seen production costs continue to rise. The textile industry needs large amounts of electricity. Currently, electricity prices are rising in China, increasing the burden on enterprises. Meanwhile, textile enterprises are mainly located in Eastern China. In recent years, property prices have risen sharply in these regions. Enterprises have to pay high costs to expand their factories. In terms of labor costs, wages have been increasing sharply in China. Also, the cost of employee dormitories, entertainment, and leisure benefits has also risen.

(5) The Pressure from RMB Appreciation

The exchange rate of the RMB has appreciated from 1:7:52 in 2007 to 1:6:10 at the end of 2013, up nearly 20%. If enterprises raise export quotes, they will lose low-price competitive advantages in the international market. As Chinese textile export products are based on popular consumer goods, Chinese manufacturers have to bear the exchange rate loss because the price has a limited negotiation space in the market, and importer prices remain fixed. Chinese enterprises have made limited investments in building marketing channels. They are weak in terms of controlling overseas market channels, and have low bargaining capacity when negotiating with foreign purchasers. Therefore, Chinese enterprises have reaped no benefits from the appreciation of the RMB exchange rate.

To address increasing production costs and the fluctuation of the RMB exchange rate, Chinese textile enterprises have begun to make overseas investments, and are seeking regions and countries with lower labor costs or energy and material prices.

The Need of Industrial

(6) Addressing Structural Overcapacity

The Chinese textile industry needs to seek new spaces to release its structural overcapacity. After the financial crisis, under the influence of expansion investment policies, entrepreneurs in the textile industry (particularly the upstream cotton textile and fabric industry) were optimistic about future industrial development, and increased investments blindly, leading to overcapacity. The demand in the Chinese clothing market has dropped, further increasing this pressure. This causes enterprises to increase stock, lower prices, reduce profits, and even suffer losses. Since 2009, China has promulgated policies to control overcapacity in some industries. In January 2010, the State Council worked to eliminate backward capacity, including specific targets in key industries such as textiles. Overcapacity has attracted a large amount of capital. If enterprises with overcapacity have to be shut down before finding new solutions, it will cause huge waste. Therefore, "going global" is a way for enterprises to revitalize overcapacity and release space for upgrading and development.

Internal Motive

(7) The Need of Strategic Corporate Development

For some leading enterprises in the industry, "Going Global" is useful not only for reducing costs and mitigating risks, but also for upgrading to the higher end of the value chain in long-term development. To make such an upgrade, enterprises must integrate high-quality resources across the world, and expand their space for operation and development. Some high-performing Chinese enterprises have built their production bases overseas, while others have integrated international material, design, R&D, and marketing channels through overseas investment. They have engaged in M&A, consistently improved the allocation of resources across countries, and grown their brand operating capacity, so as to build an influential multi-national corporation.

3. Building a Multinational Supply Chain: Major Options of Textile and Apparel Enterprises to "Go Global"

With rapid economic globalization, a certain industry within a country can improve its position in the global value chain only through participation in the international division of labor, cooperation and competition, and accelerating international progress. "Going Global" is an important way for Chinese textile enterprises to establish a global industrial chain that is consistent with the industry's targets for restructuring and upgrading. For China to become a powerful textile manufacturer, its textile and apparel products must integrate into the international market, so as to better explore their potential and strengthen their discourse power internationally.

Chinese textile and apparel enterprises mainly adopt two approaches to "Go Global" :

The first approach is to control high-quality materials, design innovation, brands, and market channels through direct overseas investment and M&A, extend the domestic industrial chain, and move the whole

industry into the high-end value chain. For example, Ruyi Group invested in a cotton farm in Australia, and acquired brands in many countries. Fulida acquired a Canada-based dissolving pulp company. Youngor Group acquired Kellwood' s Smart Shirts. Generally, these enterprises quickly improve their international operation capacity through overseas investment. Such investment mainly flows to developed countries and regions.

The second approach is to create a manufacturing layout model featuring “China + Supporting Countries” through greenfield investment and production cooperation. The textile industry has a very long chain. The sewing section in the extreme downstream is sensitive to labor costs. Thus, textile enterprises select to shift to South-east Asian and African countries with lower costs, or regions close to the final-end market. Domestic parent companies normally focus on R&D and design in the upstream, maintaining and improving a leading position in the global supply chain. Currently, enterprises such as TEXHONG, Bros Eastern Co., and Huafu have launched a batch of projects in Vietnam and other countries, making some progress. Such investment mainly flows to developing countries and regions, which are our research focus. In future, with the implementation of the Belt and Road Initiative, infrastructure interconnectivity will be pushed forward significantly. The implementation of the national “One Belt One Road” initiative provides better conditions for textile enterprises to enter overseas markets, expediting their global layout.

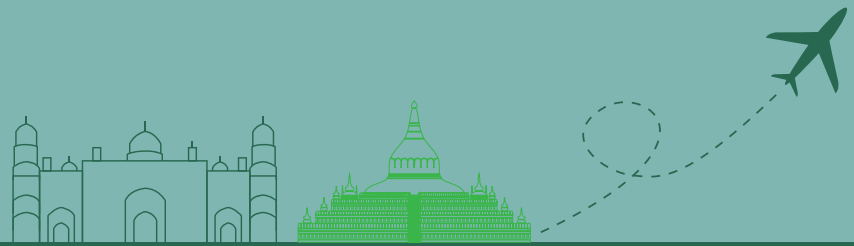


From "China+1" to "China + N" multi-national supply chain

Creating a "China + supporting countries" supply chain is a major approach for Chinese textile enterprises to allocate cross-border resources. The textile and apparel industry has some foundations in South-East Asia, with abundant labor resources and a well-developed industrial chain. The host governments welcome textile and apparel investment. Meanwhile, many overseas Chinese live in these countries, preserving traditional Chinese culture. This is conducive for building Chinese brands. Thus, many Chinese enterprises invest in South-East Asian countries, such as Vietnam, Myanmar, and Laos. For example, TEXHONG has established a cotton base and clothing processing base in Vietnam. Hongdou Group and Shenzhou Group have invested in an export processing zone and clothing processing base in Cambodia. This forms the layout for a "China + 1" supply chain.

Meanwhile, many enterprises integrate comparative advantages and allocate resources in several countries, rather than being limited by just one country. This offers a flexible space for enterprises to realize a true global layout, and allows them to mitigate investment and operating risks by capitalizing on the advantages of each country. Some enterprises have now realized their strategic development model through participating in the global supply chain along the Belt and Road Initiative. They have achieved a "China + N" supply chain, such as planting cotton in Africa, building a processing base in South-East Asia, and building an industrial investment park in Western China.





II. An Insight into Textile and Apparel Industries in Bangladesh and Myanmar

Neighbouring China, Bangladesh and Myanmar are important countries to the Belt and Road Initiative, and have achieved astonishing progress in textiles and apparel in recent years. The two countries use the textile and apparel industry as a key area for development and support, and therefore have a huge demand and capacity for Chinese textile and apparel enterprises. The countries have formulated a series of preferential policies and privileges to attract foreign investments. In recent years, Chinese textile and apparel enterprises have increased investments in these two countries, which are key nodes in the layout of “China + overseas countries”. McKinsey & Company surveyed 40 apparel brands in the USA and Europe in 2014. The results show that Bangladesh, Myanmar, Vietnam, India, and Turkey have become the first choice for transferred purchase destinations.



(I) Bangladesh

1. An Overview of the Textile and Apparel industry in Bangladesh

The textile and apparel industry has performed exceptionally in Bangladesh's national economic development. In FY 2016, the industry grew by 11.7%, and exports of textile and apparel accounted for 12.7% of the total GDP. The development of the textile and apparel industry has a direct impact on the country's exports, employment, stability, poverty reduction, and national economic development, meaning that the industry has become a true leader in Bangladesh.

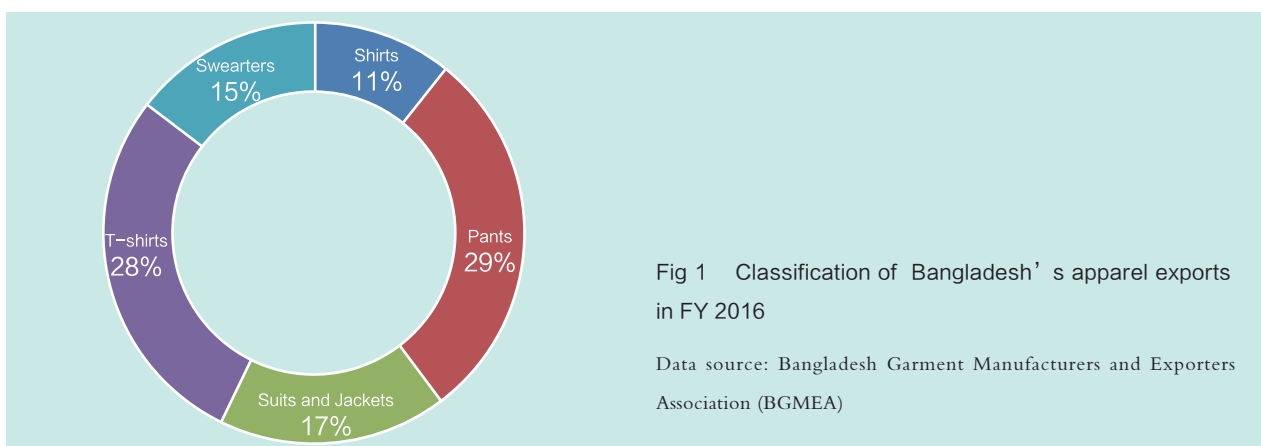


Fig 1 Classification of Bangladesh's apparel exports in FY 2016

Data source: Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

1) The scale of the apparel industry in Bangladesh has achieved rapid expansion, with increasing production capacity. The apparel industry is large in Bangladesh, having advanced factory facilities. There are more than 500 factories with over 1,000 employees, and even a factory which has 150,000 workers. The textile and apparel industry in Bangladesh has been equipped with multiple processing technologies such as washing, tie dyeing, dyeing, and snow washing, and can process products such as jeans, T-shirts, casual wear, and children's wear. It can produce medium and high end products such as T-shirts and jeans. However,

its capacity for processing suits and shirts is relatively weak. In 2016, nearly 60% of its clothing exports were T-shirts and trousers, while shirts and jackets with complex process accounted for a relatively small part (see Fig 1). Currently, Bangladesh is the world's largest cotton T-shirt exporter, the second largest knitwear exporter, and the fifth largest jeans exporter.

With the strengthening of Bangladesh's apparel industry, world-renowned chain stores and brands such as Wal-Mart, C&A, H&M, Marks & Spencer, Zara, GAP, Puma, and Uniqlo are turning to it for procurement for parts of their orders.

2) The textile and apparel industry has dominated exports

As the world's second largest apparel exporter, Bangladesh accounted for 5.9% of global apparel exports in 2015 (China ranked first, accounting for 39.3%, and Vietnam third, accounting for 4.8%, based on WTO data).

The products that dominate exports in Bangladesh are limited, and there are only seven categories; textile and apparel exports are the main force pulling the nation's annual export growth. The proportion of exports of garments in the country's total exports increased from 6% in the 1980s to the current 82%. The proportion has continued to increase, making garments the most important source of foreign exchange in Bangladesh (see Table 1).

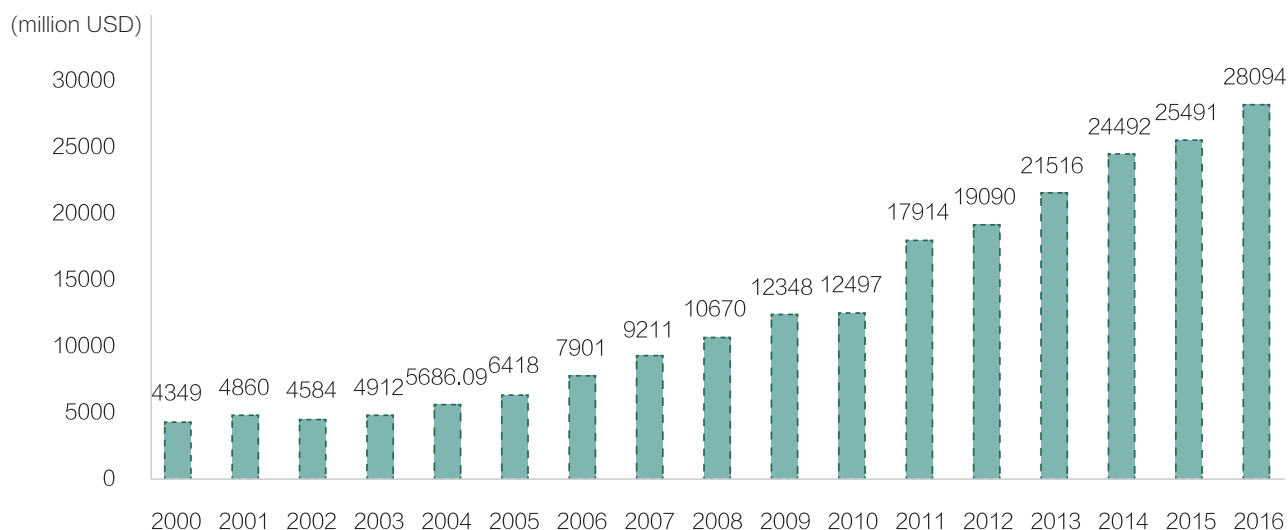
Table 1 Trends of apparel exports in Bangladesh (FY 2009 – FY 2016)

FY	Total exports	Woven fabric	Knitwear	Total apparel (Woven + Knitted)	Percentage (%)		
					Woven fabric	Knitwear	Total
2009	15.57	5.92	6.43	12.35	38.02	41.31	79.33
2010	16.20	6.02	6.48	12.50	37.11	40.01	77.12
2011	22.92	8.43	9.48	17.91	36.78	41.36	78.15
2012	24.87	9.60	9.49	19.09	39.54	39.11	78.60
2013	27.03	11.04	10.48	21.52	40.85	38.76	79.61
2014	30.18	12.44	12.05	24.49	41.23	39.93	81.16
2015	31.21	13.06	12.43	25.49	41.86	39.82	81.68
2016	34.26	14.74	13.36	28.10	43.02	38.99	82.01

Data source: Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

The garment manufacturing industry is developing rapidly in Bangladesh. Total exports exceeded USD5 billion in 2004 and USD10 billion in 2008, and reached USD28.1 billion in 2016. Since 2004, the average annual growth rate has reached 14.4%. It is predicted that Bangladesh's garment exports will reach USD50 billion in 2021 (see Fig 2).

Fig 2 Garment exports in Bangladesh



Data source: Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

3) The development of the textile and apparel industry has stimulated employment growth

As a labor-intensive field, the textile and apparel industry plays an important role in stimulating the growth of employment in Bangladesh, especially in solving the issue of female unemployment. According to statistics, Bangladesh has over 4,300 garment factories, absorbing a labor force of 4 million, of which 85% are women (see Table 2). At the same time, the textile and apparel industry is the major customer source of banking, insurance, and shipping, and stimulates the development of other related industries such as transport and catering. Statistics show that the resource recycling industry can drive about 200,000 jobs for over 800,000 upstream and downstream employees.



4 million

Table 2 Garment factories in Bangladesh and their employment data (FY 2005 – FY 2016)

FY	Number of garment factories	Labor force (million)
2005	4107	2.00
2006	4220	2.20
2007	4490	2.40
2008	4743	2.80
2009	4925	3.50
2010	5063	3.60
2011	5150	3.60
2012	5400	4.00
2013	5600	4.00
2014	4222	4.00
2015	4296	4.00
2016	4328	4.00

Data source: Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

Note: A group of substandard factories closed after the accidental collapse in 2013



4) The apparel export market was concentrated in Europe and the United States

The main destinations of the apparel exports in Bangladesh are the United States and the EU countries. The United States is Bangladesh's largest single garment buyer, while the EU is the largest overall export destination. In FY 2016, garment exports to the EU and the United States were USD17.15 billion and USD5.625 billion respectively, accounting for 61% and 20% of all apparel exports. In the EU, Germany, the United Kingdom, Spain, and France accounted for 16.6%, 12.5%, 6.6% and 6.1% respectively. Due to geographical advantages, China, India, and South Korea are becoming the fastest-growing export destination markets for Bangladesh. However, the United States, Germany and the United Kingdom are still the largest export markets in Bangladesh (see Fig 3 and Fig 4).

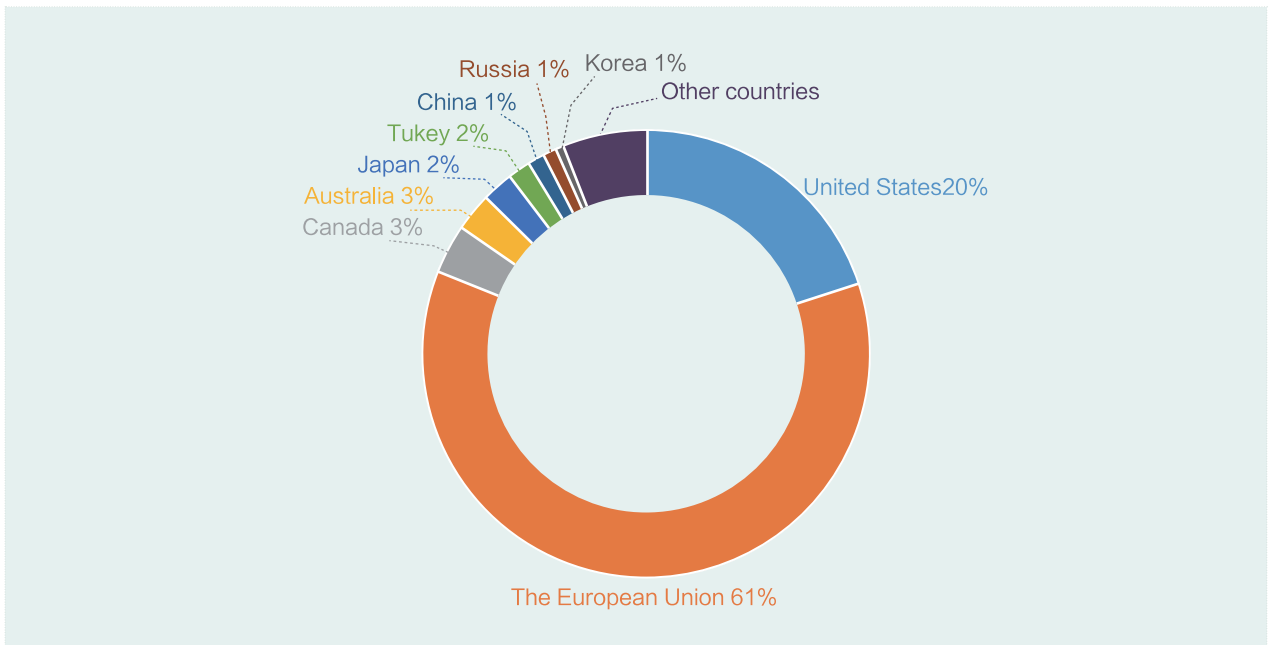


Fig 3 Bangladesh's major garment export markets

Data source: 2016 FY data from the Export Promotion Bureau in Bangladesh

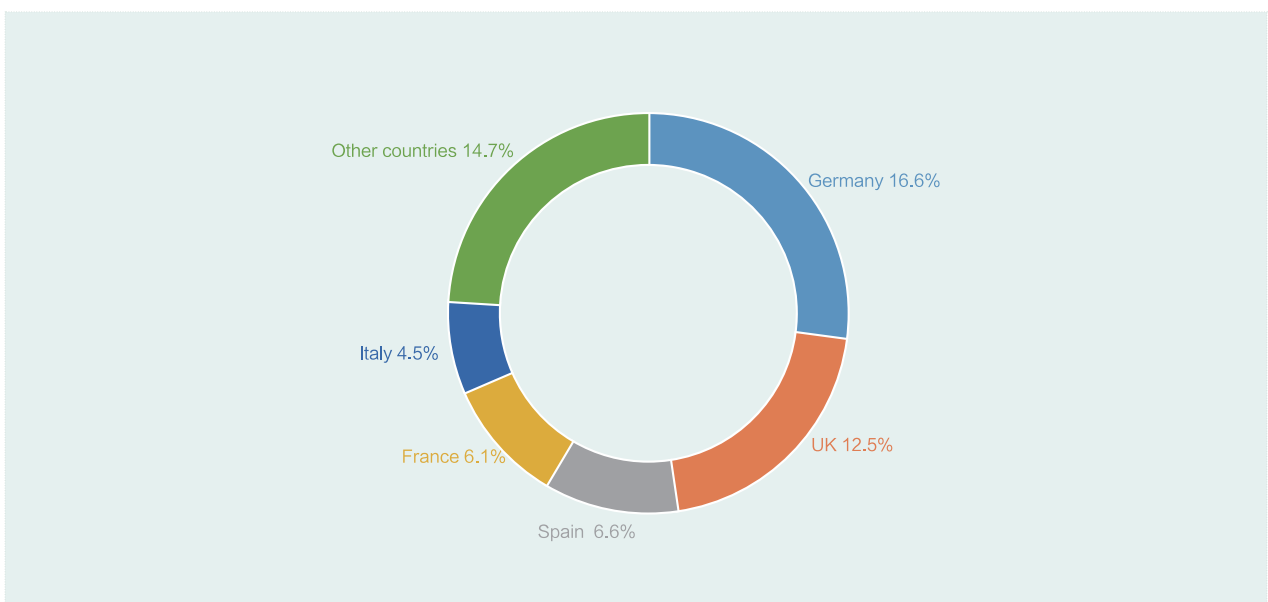


Fig 4 Proportion of Bangladesh's garment exports to EU countries in total exports

Data source: 2016 FY data from the Export Promotion Bureau in Bangladesh

2. Development of the Textile and Apparel Industry in Bangladesh: Pros and Cons

(1) Pros

The textile and apparel industry in Bangladesh has been able to achieve such rapid development due to two main factors:

I . The Size of the Labor Force and Cost advantages

The textile and apparel industry is labor intensive, and its first demand is sufficient manpower. Bangladesh has the world's eighth largest population, and is the world's most populous country. Bangladesh has a population of 160 million, and the current labor force totals 60 million; 70% of the population is under 40 years old, so the labor force has the potential for sustainable growth. Meanwhile, as Bangladesh was a British colony and is a commonwealth country, English is widely spoken, and its workers have some English communication skills.

More importantly, the labor price in Bangladesh is relatively low and the cost of wages is highly competitive. From an international perspective, the minimum wage level in Bangladesh has remained at the lowest level in the world. Even after the cost of labor rose by more than 70% to reach USD 68 in 2013 (currently still maintained at this standard), there is still a very significant price advantage compared to other countries, and the cost of labor has considerable sustainable competitiveness (see Table 3).

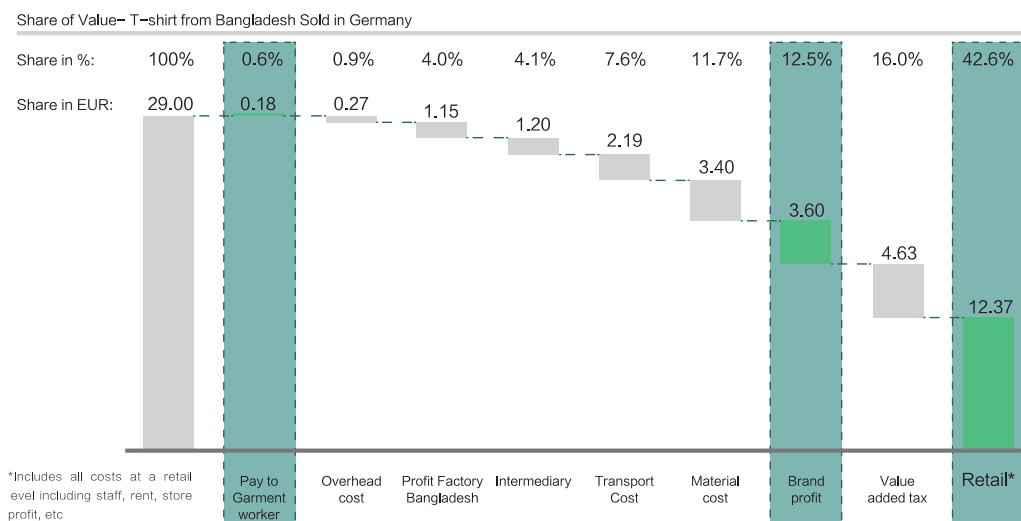
Table 3 Comparison of Minimum Wages in the Textile and Apparel Industry with the Increase in Each Country

Country	Wage Increase in 2013(%)	Minimum Monthly Salary (USD)
Bangladesh	76.7	68
India	10	100
Pakistan	10	100
Sri Lanka	10	120
China	18	200–250

Source: Collected from the Internet

According to a report published by the World Economic Forum in 2015, wages of garment industry workers in Bangladesh accounted for only 0.6% of the total cost of a T shirt (see Fig 5). Although the low labor cost was criticized by human rights organizations, it greatly promoted the development of the textile and apparel industry, and also attracted a large number of foreign investments.

Fig 5 Analysis of the Weight of Labor Cost in Total Cost of T-shirts in Bangladesh



Data Source: World Economic Forum

II. Preferential Policies for Garment Exports

The main export destinations of textiles and apparel in Bangladesh are the European Union, the United States, Japan, Australia, and Canada. As one of the world's less developed country, Bangladesh enjoys preferential treatment by the tax system. Meanwhile, it has signed bilateral trade agreements with more than 30 countries, and has an additional advantage in competing with other low-cost producers. These incentives include:

- a) According to the EU's "GSP" and "EBA" systems (everything except arms), Bangladesh enjoys quota-free, duty-free preferential treatment in the EU market. In the post-quota era, these preferential treatments are retained, which is the main advantage of Bangladesh's textile industry over other countries, and the main reason why the EU has become the most important export area for Bangladeshi textiles and apparel.
- b) Bangladesh's textiles were granted duty-free, quota-free preferential treatment in the form of market access to Canada, Norway, Japan, New Zealand, and Australia in and before 2004.
- c) In the quota era, the United States only imposed quota restrictions on 30 categories of clothing products in Bangladesh. In recent years, the Government of Bangladesh has been lobbying the United States for zero tariff access to Bangladeshi apparel (as with the other 33 least developed countries in sub-Saharan Africa and the Caribbean). Bangladesh is also in discussion with Russia, Turkey and other former Soviet regions to sign preferential or duty free trade agreement for the Bangladeshi origin garments and textile products.

Meanwhile, as textile enterprises in Bangladesh have been protected in the name of an "undeveloped country", so far, no company has been accused of "dumping". It can continue to expand the scale of production without having to worry about trade barriers.

(2) Cons

I. Outdated Infrastructure

First, port facilities are old. Chittagong, the most important port in Bangladesh, is known as a "death knot in the supply chain". Due to old facilities, the port's carrying capacity has a huge gap, making transport efficiency low and causing an increase in costs. For example, it costs approximately USD3,500 for Big Cabinet Direct to travel from Shanghai to Chittagong in a cycle of 15-18 days; for transit, the cost is reduced to approximately USD1,000, and the cycle is extended to 22-25 days; the delivery time is difficult to guarantee. In comparison, it costs only USD300 for Large Cabinet Direct to travel from Shanghai to Ho Chi Minh Port, Vietnam, in a cycle of 15-18 days (often 7-8 days). At the same time, the average container time in Bangladesh port is 15 days; in case of congestion or a workers' strike, the shipping (delivery) period may exceed a month. To ensure delivery, sometimes exporters have to choose air freight, which will greatly increase costs.

Second, land traffic is congested. To send a container from the Dhaka Inland Container Terminal to Chittagong, the total distance is about 240 km. The textile and apparel industry is highly dependent on the Dhaka-Chittagong Highway, but due to the narrow road surface and the violation of traffic order by drivers, the traffic is crowded and it takes at least 9 hours on the road, sometimes even 30 hours. The railway capacity of Bangladesh is limited, and it often takes longer by railway transport.

Third, power shortage. This is another bottleneck that restricts Bangladesh's economic and social development. Currently, about 30% of Bangladesh's population is still not covered by the power supply, and production activities are often stopped because of power outages. Electricity is expensive, and several Chinese-funded enterprises we visited reflected that prices in Bangladesh were higher than in China. Some companies said that the price of electricity in African countries is much lower than in Bangladesh (e.g. only about USD 0.2 per kWh in Ethiopia), and they intended to transfer their business to African countries. To solve the problem of power supply, almost all textile enterprises are using natural gas to generate electricity. This method is cheap, but natural gas in Bangladesh is seeing a tight supply, so it is not a long-term solution. At present, the Government of Bangladesh has signed a contract with Russia to build nuclear power plants, but when to start construction and put into operation remains to be seen.

II. Raw materials for textiles are highly dependent on imports

Bangladesh has not developed a complete textile and apparel production system; spinning, weaving and dyeing, and finishing links belonging to the medium and upper reaches are its "short slab". Bangladesh has a large population and relatively little space. Farmers do not want to plant cotton on limited land, resulting in a serious dependence on imports of raw materials for spinning. This is the gravest problem encountered during the development of the textile industry in Bangladesh. In 2015-2016, Bangladesh imported 1.35 million tons of cotton, surpassing China to become the largest cotton importer in the world (data from the United States Department of Agriculture [USDA]). According to statistics, 95% of the cotton used in the textile industry, 80% of weaving yarn, and more than 60% of printing and dyeing fabric in Bangladesh are imported, of which 80% of the fabric is imported from China. Currently, Bangladesh has more than 200 spinning mills, about 40% of which operate using backward technology, outdated equipment, and limited production processes. The country has more than 40,000 looms, but only about 1/4 of them are shuttleless; the annual processing capacity of Bangladesh's dyeing and finishing plants is only about 2.5 billion meters. This is not compatible with Bangladesh's status as the second apparel exporter in the world. Insiders in Bangladesh have recognized the importance of the industry chain, but supply localization of the textile industry and other raw and auxiliary materials is no small feat.

III. Frequently Occurring Disputes

In recent years, disputes, conflicts, and strikes have frequently occurred in Bangladesh. The reasons for a strike are multifaceted – sometimes because the workers ask for a raise, and sometimes because an employee has been abused or unreasonably dismissed. However, sometimes workers go on strike on the strength of a rumor. To expand the influence of a strike, some people even persuade other enterprises to join in, causing situations to spin completely out of control. Some rioters take the opportunity to damage and destroy enterprise facilities, causing huge losses. At the same time, trade union organizations are often closely linked with political parties, and sometimes organize strikes for political purposes. The workers' protests in 2006 turned into sensational global textile labor riots. The United Nations has estimated that Bangladesh's annual losses due to strikes account for up to 4% of its GDP.

IV. Government's inefficiency

Bangladesh ranked 176th in 2017 "Doing Business Index" by the World Bank among the 190 countries, significantly indicating the poor ranking in the area of: registering property, resolving

insolvency, starting a business, paying taxes, getting credit, protecting minority investors, etc. This is mainly related to corrupt government officials in Bangladesh. In the corruption index ranking table issued by Transparency International, Bangladesh comes almost at the bottom every year. Although the Government has carried out repeated anti-corruption activities, it is difficult to fundamentally eradicate such habits. In Bangladesh, an enterprise must maintain contact with different strata of government officials, and at least six months are required to complete procedures such as purchasing land, setting up telephone systems, and gaining a business license, even if officials are bribed¹. If they are not given “benefits”, it may take one to two years. At the same time, commercial interests dominate the Parliament of Bangladesh. Of the 300 members of Parliament, 60% are involved in industry and commerce. Data reveals that 31 members (10%) of Parliament directly own an apparel factory, and others have an indirect economic interest in the industry. These relationships often spawn further corruption.

V. Unsound Financial Services

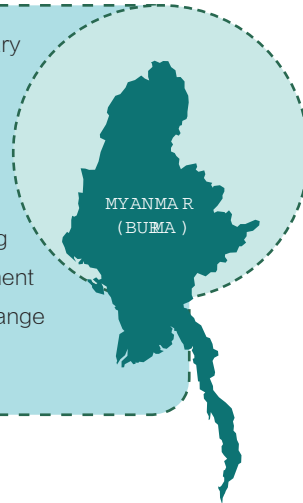
The average interest rate on loans in Bangladesh is 14%-20%, of which the commercial financing cost of large and medium-sized enterprises is about 12.5%-17.5%, and that of small enterprises is 19%. After an enterprise makes an application to a bank in Bangladesh, the bank will conduct a comprehensive assessment of the credit line and loan risk according to the situation of the enterprise. In general, companies that do not have cash and asset mortgages or guarantees find it difficult to get loans. In addition, the loan repayment period is generally short, and the longest period is only eight years. As the operating margin and net asset yield of the textile and apparel industry are low and the industry’s profitability is limited, the annual return on net assets should reach 12.5% (excluding interest) even when calculated by eight years. The textile industry generally finds it difficult to achieve this indicator. Moreover, foreign-invested enterprises enjoy the same treatment as local enterprises regarding financing without concessions. Therefore, Bangladesh-based enterprises do not generally choose bank loans in Bangladesh.



(II) Myanmar

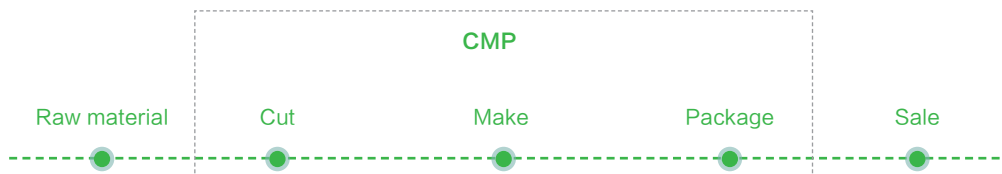
1. Development of the Textile and Apparel Industry in Myanmar

However, it suffers from poor infrastructure due to long-term war, and rule by a military government. Since Europe and the USA eased trade sanctions on Myanmar in 2012, foreign investors have begun to invest in its garment industry. Since Myanmar promulgated new investment laws in November 2012, a more relaxed environment and more favorable policies have been offered to foreign investors who invest in its textile industry. In recent years, garment export has become the fastest growing sector after natural gas export. It also sees increasing foreign investment. The garment industry has become a key factor in Myanmar's efforts to increase foreign exchange income, develop its national economy, and improve livelihoods.



Generally, Myanmar's textile and apparel industry displays the following characteristics:

1) Based on the CMP model



Myanmar's export garment enterprises mainly adopt the CMP (Cut-Make-Pack) model. Under this model, buyers will pay contracting fees to a garment factory in Myanmar to carry out labor-intensive tasks, such as cutting fabric and sewing garments, but will not be involved in the design and/or input sourcing process.

These CMP factories can be classified into three general categories by scale. First, large factories with a workforce of more than 1,000 (usually regarded as market leaders) are able to produce garments of better quality. The second group are medium-size factories that employ between 500 and 1,000 workers. The last group comprises small factories

with fewer than 500 workers and limited machinery capacity, out-numbering both the large and medium-size factories.

To allow maximum flexibility for foreign investors, the Myanmar Investment Commission (MIC) allows 100% FDI in setting up textile and garment factories in the country. Among Myanmar's garment exporters, large factories are either wholly foreign-owned or operating through joint-venture (JV) agreements between local and foreign companies, most of which come from the Chinese mainland, Hong Kong, Japan, Korea, and Taiwan. While most small factories are locally owned, medium-size factories are locally owned or operated through joint ventures.

2) Support from National Export Strategy

The Myanmar government launched its first National Export Strategy (NES) in March 2015, outlining a five-year plan that aimed to improve the country's export capacity. Under the NES, seven key sectors were identified as having great potential for driving economic development and employment generation. The textile and garment industries were included.

The NES acknowledged the need for the garment industry to climb up the value chain, advising it to move towards operations on a "Free-On-Board" (FOB) basis from its current CMP system as a longer-term development goal. In 2015, the MGMA published a long-term strategy plan for industrial growth & development for the coming 10 years, with a focus on responsible manufacturing practices, skill development, and facilitating ethical sourcing, thus building up the brand label of "Made in Myanmar".

3) Improving Labor Relations to Boost Buyers' Confidence



After a ban on trade unions for nearly 50 years under military rule, the Myanmar government has stepped up its efforts to afford greater rights to workers. The government introduced the country's first Labor Organization Law in 2011, which regulates industrial relations pertaining to trade unions, employer associations, and collective actions. This has improved industrial relations, and has also boosted the confidence of foreign buyers in sourcing from the country. Many garment factories formed workers' unions after this labor law was promulgated. A number of industry initiatives are also underway to improve workplace harmony and social compliance in the garment industry. In January 2015, the MGMA ratified a Code of Conduct for its member companies as a guide and framework for responsible business practices in the country's garment sector. The factories we surveyed have set up Workplace Coordination Committees (WCC) to facilitate better communication between owners and workers. These efforts raise large foreign companies' interest in Myanmar's manufacturing industry. International apparel brands including Gap, H&M, Marks & Spencer, and Primark have shown a growing interest in Myanmar for sourcing. For example, GAP announced that the volume of products it sourced from Myanmar had tripled in the period from June 2014 to June 2015. In 2014, H&M started to purchase in Myanmar, and has 58 suppliers there now (out of more than 900 suppliers globally). With increasing procurement from large fashion brands, more Western apparel retailers will opt to source products in Myanmar in the near future.

4) Continuously Improving Processing and Capacity

Before Europe and the USA lifted economic sanctions, many Myanmar manufacturers focused on meeting the demands of the Japanese market. As Japan offers GSP privileges to Myanmar, Myanmar manufacturers have developed a specialty in this area. In 2012, over 93% of garments from Myanmar were knitwear.

In recent years, Myanmar's garment industry has improved its production capacity for knitwear and crochet products, which accounted for 18.7% of garment exports in 2014. Industry capacity and product diversification have been improved. Some companies have focused on children's clothing, underwear, and sports garment. In our survey, we found that Chinese garment enterprises in Myanmar have more product categories with a higher quality than Chinese enterprises in Bangladesh. In terms of market segments, Myanmar's garment industry could meet the demands of high-end, middle-end, and low-end markets. However, Myanmar's prices are not as competitive as those in Bangladesh. Therefore, Myanmar manufacturers produce less low-quality and simple products (e.g. Bangladesh's ultra-cheap T-shirts) for export. Comparably, Myanmar's garment industry has more advantages in the middle and high-end segments. Myanmar manufacturers also prefer high-quality and complex products, attracting interest from European clients with higher quality requirements.

5) Becoming a Major engine for Myanmar's Export and Economic growth

Due to Myanmar's trade deficit, the garment processing industry is critical to promoting economic development.

Due to a lack of funds and professional knowledge to improve the industry, the government has adopted strategies to attract FDI with a view to driving development. Between 2013 and 2015, FDI in Myanmar's garment industry maintained fast growth, and grew from 26.5% of total inward FDI in 2013, to 27.4% in 2014, and 29% in 2015. In 2016, the FDIs approved by the Myanmar Investment Commission went mainly to the garment industry. According to statistical data released by the Ministry of Commerce of Myanmar, nearly 65% of FDIs in the garment industry are from China.

With increasing investment, the scale of textile and apparel exports has continued to grow. Currently, the garment industry accounts for 17% of Myanmar's total export volume, second only to natural gas exports (45%). In FY2015, Myanmar's textile product exports reached USD1.6 billion, and were close to USD1.86 billion in FY2016. Major export markets are Japan (38%), South Korea (31%), European Union (23%), China (3%), and the USA (1%).

The textile and garment industry drives growth in employment, while earning foreign exchange through export. By June 2016, Myanmar had around 400 textile enterprises that employed 350,000 people. According to estimates from an international monitoring organization for the textile industry, as Western countries continue to lift economic sanctions and more garment enterprises enter Myanmar, its garment sector will experience exponential growth in the years ahead, creating around 1.5 million new jobs and generating US\$12 billion in export value by 2020.



2. Pros and Cons in the Development of Myanmar's Textile and Apparel Industry

1) Pros

As an emerging garment manufacturer, Myanmar could realize fast and ongoing development due to the following factors:

I. A Young Demographic Structure and Low Salary Expectations

With more than half of its 51.8 million people under the age of 30, Myanmar offers a reasonably large youth workforce over the mid- to long term. Furthermore, Myanmar enjoys one of the highest literacy rates in Southeast Asia. This creates a very favorable setting for the country to move from a dependency on agriculture to a modern economy driven by industry and services.

In terms of labor cost, the country's first minimum wage of Kyat 3,600 was introduced in September 2015 for employees working a standard eight-hour day. This translates to a monthly wage of Kyat 108,000 (around US\$80). In spite of this move, Myanmar's wages remain competitive in the region. For example, the minimum wage in Thailand is roughly US\$250 per month, US\$155 in Vietnam (Hanoi and Ho Chi Minh City), US\$140 in Cambodia, and US\$110 in Laos. Meanwhile, Myanmar enterprises are not required to provide lunch and accommodation to staff, saving costs for enterprises.

II. A Generalized System of Preferences

Japan and South Korea have long been major export markets for Myanmar. The two countries have dominated Myanmar's garment exports, accounting for 70% of total orders. Japan has granted Myanmar the privileges of a generalized system of preferences (GSP). In 2013, the European Union lifted all economic sanctions, and granted Myanmar duty-free (12%) and quota-free access to the European market. In 2014, Myanmar's exports to the EU were rebounded robustly, and the EU took a 23% share of Myanmar's total garment exports from less than USD200 million in 2013 to USD400 million in 2014. Export growth was particularly prominent to Germany and the UK. Currently, this momentum is continuing. The EU has become an important driving force for the growth of Myanmar's garment exports. Many of the Chinese enterprises we surveyed invest in Myanmar mainly to meet purchasers' requirements. Purchasers are entitled to duty-free export to Europe (12%). In the future, the USA may further ease sanctions, and may even grant GSP to Myanmar. This will bring favorable opportunities to Myanmar's garment industry.

III. Regional Integration Spurring Growth

Myanmar is a member of ASEAN. Myanmar levies a lower import duty on products from other ASEAN countries. In 2013, the average most-favored nation (MFN) tariff was 5.6% (9.5%, 10.9%, and 9.7% for Vietnam, Cambodia, and Laos, respectively). Myanmar levies a low tariff on imported goods, increasing the competitiveness of production costs compared to neighboring countries. Established in December 2015, the ASEAN Economic Community aims to increase intra-regional and global trade by creating a single market and production base with free flow of goods, services, investment capital, and skilled labor. Myanmar is eager to exploit this ongoing integration process, especially the improvement in regional logistics links, in order to become a new manufacturing powerhouse. The notable step of eliminating tariffs will further strengthen Myanmar's advantages as a low-cost manufacturer in ASEAN.

Meanwhile, China has reached a free-trade agreement with ASEAN, and is an important partner. Since signing the agreement, China has expanded trading in goods and services with Myanmar and other ASEAN countries. Along with technical cooperation, it will further promote the development of Myanmar's garment industry in the middle and long-term, including Chinese garment manufacturers that have relocated to Myanmar.

2) Cons

Myanmar's opening-up and reform policy is in the initial stage, and its market-oriented economy is still developing. Its under-developed economy and environment place constraints on the development of its garment industry. In Ease of Doing Business Report 2015 released by the World Bank, Myanmar ranked 177th out of 189 economies, and came last among the ASEAN countries. Generally, the development of Myanmar's garment industry is constrained by the following factors:

I . Immature Local Supply Chain

While huge progress is being made, the garment sector still lacks locally available input supply. Myanmar relies heavily on imports of various goods for garment production, ranging from zippers and hangers to machinery and electronic products. This is because the quality of its domestic products lags behind international standards. This, together with outdated infrastructure, poses a significant obstacle for the sector's development. Among the surveyed enterprises, most fabric and parts that cannot be acquired in Myanmar are imported from China. China's textile exports to Myanmar are an important part of bilateral trade, accounting for over 15%.

Generally, Myanmar's dyeing and finishing industry still lags behind, lacking sufficient technology and knowledge. Currently, there are many small-sized household plants in the industry. They use traditional weaving machines. Most of them only have 10-20 sets of machines. Some plants have over 100 sets of machines. However, nearly all artificial fibers, cotton threads, coloring agents, and additives are imported from foreign countries, mainly China and India. On the one hand, the Myanmar government is making efforts to strengthen its capacity. On the other hand, it encourages foreign investment in its textile industry and promotes the export of textile products.

II. Labor Quality – an Issue to Trackle with in Myanmar

Years of economic isolation under the military junta have caused a massive shortage of skilled workers and professionals in Myanmar, which has a substantial effect on the level of productivity and quality that local workers can offer.

Our survey results indicated that garment producers recognized that Myanmar's labor productivity is about 50%-70% of China's (some enterprises have only 30% of China's efficiency), lagging behind Vietnam and Bangladesh. Enterprise management widely recognizes that Myanmar people are smart, and that labor productivity could be improved quickly if they receive proper training to improve their operating skills. There is another unavoidable issue – the high turnover rate of employees in Myanmar. Among the surveyed enterprises, the turnover rate is generally beyond 10%; some enterprises are even higher than 30% (the survey results show that the turnover rate in two Bangladeshi enterprises is below 5%. Among five surveyed Burmese enterprises, one enterprise is below 5%, one is at 20-50% and three enterprises are at 5%-20%). Workers readily move from one factory to another for a salary increase of just US\$10, and many don't even notify their employer. Worries about the high turnover rate and training costs have resulted in many companies hiring only workers who are low-to semi-skilled.

III. Underdeveloped Infrastructure

In the short term, shortage of public utilities and infrastructure may offset the labor cost advantages.

In terms of water supply, water supply facilities have not been sufficiently developed to catch up with the growth of water demand. In Yangon, only 67% of the city's population have access to municipal water, with some townships having no piped water supply. While more water pipes are being built or upgraded, it is expected that supply facilities will only be expanded to cover the Yangon metropolitan area by 2020. Due to insufficient supply of reliable water, many plants use groundwater, which creates the risk of subsidence. Some factories have not installed proper wastewater systems, which poses considerable risks to factory production. In terms of power supply, 70% of Myanmar's power comes from hydro-power, and shortages regularly occur in the dry season. The whole nation lacks power, particularly during the dry season. Nearly 60% of Myanmar's population do not have regular access to electricity. People still experience frequent power cuts and even power suspensions lasting several days in Yangon. Many industrial and commercial organizations and households rely on their own power generators, which cost roughly US\$0.3/kWh compared to US\$0.15/kWh for public electricity. Myanmar adopts tiered pricing for electricity, whereby different prices are applied to domestic residents and foreigners. In addition, various miscellaneous fees will be charged, such as cost of wear and tear of transformers, electricity meter protection fees, and power capacity fees. The power authorities have formulated a target of 100% electrification by 2030. However, as many of these projects are still in the planning or construction stages, it is expected that power shortage will remain a potential concern for manufacturers aiming to set up a production base in Myanmar for the time being.

Regarding transportation, while Myanmar has been dedicated to improving its transport links in recent years, there is still a significant development gap, as well as contrasted logistical performances with other ASEAN members. According to the Logistics Performance Index (LPI) published by the World Bank, Myanmar ranked 145th out of 160 in 2014, (compared to Thailand at 35th, Vietnam at 48th, Indonesia at 53rd, Cambodia at 83rd, and Laos at 131st). In terms of sea transport, Yangon is Myanmar's main shipping port. It handles more than 90% of the country's total imports and exports. It takes five to six days for a ship to travel from Yangon to the Port of Singapore, where many more ocean-going vessels are available. It takes another 20 days from Singapore to other destinations. Vessels carrying goods often stop in Singapore for two to three weeks, affecting shipping schedules. For plants in Yangon's industrial zone, cargo can only be moved to the port of Yangon by road via central Yangon. Currently, the government stipulates that large trucks are not allowed to drive on the highway. Only night shipping is allowed, which significantly increases costs and time. The Hlaing Thar Yar Industrial Zone is located near the Yangon River. A ferry route could be built to connect directly to the port of Yangon, but the government has not actively responded to this suggestion.

IV. High Land Costs

In recent years, the pace of land development has failed to keep up with the number of investors seeking to establish a presence in the country, especially in Yangon. Due to increasing speculation and the anticipation of growing investment in Myanmar, land owners are raising prices significantly, leading to soaring property costs. Myanmar does not sell land to foreigners. However, foreign enterprises or individuals can lease land directly from the industrial zone or apply to lease government land for the purposes of industrial production or agricultural activities from related government departments. An increase in garment manufacturing plants and demand for storage space is also pushing up rental prices in industrial zones. According to our survey, plant rent is US\$3-5 per square meter in the Hlaing Thar Yar Industrial Zone. This price was only US\$2 several years ago.

V. Underdeveloped Banking System

In Myanmar, the garment industry consists mostly of SMEs that do not have the financial resources necessary to secure a loan from the financial sector. The country's banking sector is vastly under-developed, with only around 1,000 bank branches. Credit cards and ATMs are likewise under-developed. As of May 2016, only 13 foreign banks were permitted to operate in Myanmar. They are only allowed to provide credit to local banks and financial institutions as well as foreign companies; they cannot participate in retail banking operations or engage in direct lending in local currency. Myanmar has recently passed new financial institution laws, and has expanded the scope of foreign capital in the banking sector. These efforts provide feasible financing plans for trade activities, and will undoubtedly assist the development of the manufacturing industry, particularly for SMEs. The ongoing opening of Myanmar's economy will generate huge demands for financial assistance. Current measures are of a revisionary nature, and reform will be further accelerated.

VI. Insufficient Governance

First, the Myanmar government shows complex management and low efficient administration. As well as the Foreign Direct Investment Act, various laws are applied to projects with certain investment targets in certain areas. Some areas will be subject to the Myanmar Companies Act, and joint ventures with state-owned enterprises must comply with the Special Company. Except for the investment in the special economic zone and the joint venture between foreign enterprises and state-owned enterprises, other foreign investment shall be approved by the MIC, with a lot of application materials needed and complex approval procedures involved. In addition, the same problems are also seen when applying for building permits, electricity supply, asset registration, bankruptcy handling, and other issues. In World Bank's worldwide governance indicators 2011-2013, Myanmar's scores were less than six points in management quality and government efficiency (the full marks 100points). Second, the legal system is underdeveloped. Myanmar's legal system is yet to undergo sophisticated development. Although the government has promulgated a large number of laws and regulations in recent years, some are already outdated or incomplete. For example, the Contract Act, the Transfer of Property Act, and the Myanmar Companies Act were formulated during the colonial period. Meanwhile, Myanmar has no independent, just and effective judicial system. Rule of man phenomena are serious. In the Worldwide Governance Indicators 2013 rated by the World Bank, the score of Myanmar was only 10.9(the full mark is 100 points) in rule of law, much lower than other ASEAN countries. Third, the corruption is serious. It is quite common for government officials to ask for commission. In 2013, the United Nations, Organization for Economic Cooperation and Development and the Union of Myanmar Federation of Chambers of Commerce and Industry jointly conducted a survey covering 3000 firms. The results show that 20% of firms rated corruption as a very severe obstacle to their business and 60% of enterprises had to offer charges to the authorities to obtain a business registration, license or permit.

(III) An Overview of the Textile and Apparel Industries in Bangladesh and Myanmar

It is difficult to obtain specific data on investment by Chinese textile and apparel enterprises in Bangladesh and Myanmar. First, as the major channel for China to release foreign direct investment information, the Statistical Bulletin of China's Outward Foreign Direct Investment summarizes general information on related industries without specific information about the textile and apparel industry. Second, the majority of enterprises registered with Chinese authorities and trade organizations in foreign countries are large state-owned companies. Many small-sized textile and apparel enterprises make overseas investments through informal approaches. It is difficult to obtain related data about these enterprises. Third, the competent government authorities of Bangladesh and Myanmar cannot obtain such data. For example, the export of all textile and apparel enterprises must be approved by the Myanmar Garment Manufacturers Association (MGMA). The MGMA should have the number of Chinese enterprises operating in Myanmar. However, for a variety of reasons (e.g. land purchase limits or the avoidance of trouble), some Chinese enterprises hide their investments (i.e. the Chinese contribute the capital, while the enterprise is under the name of a Myanmar local). Therefore, it is difficult to obtain true Chinese enterprise data from the MGMA data system. According to our survey, there are around 50 Chinese-funded textile and apparel enterprises (including Hong Kong and Taiwanese enterprises) in Bangladesh, mostly located in Dhaka and Chittagong. There are over 200 Chinese textile and apparel enterprises in Myanmar, mainly located in Yangon, including over 100 enterprises registered with the Myanmar Investment Committee (MIC). According to our questionnaire and visit survey, Chinese textile and apparel enterprises demonstrate the following characteristics:



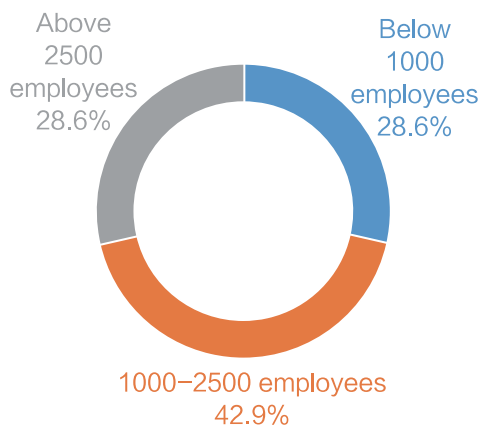
1. Most of enterprises are engaged in garment processing

This is mainly because of the state situations in Bangladesh and Myanmar. As mentioned previously, the incomplete textile industrial chain and dependence on raw material imports constrain the development of the textile printing and dyeing industry in these two countries. Meanwhile, the textile industry is capital intensive by nature, and its industrial migration rate is often much slower than that of the apparel industry. As a result, fabric production is still carried out in countries such as South Korea and China, although Bangladesh and Myanmar have absorbed a lot of transferred production in the apparel industry. Among our surveyed companies, Company D is a Sino-Myanmar joint venture engaged in weaving and dyeing processing. This factory has limited production capacity, at just over 200,000 pounds per

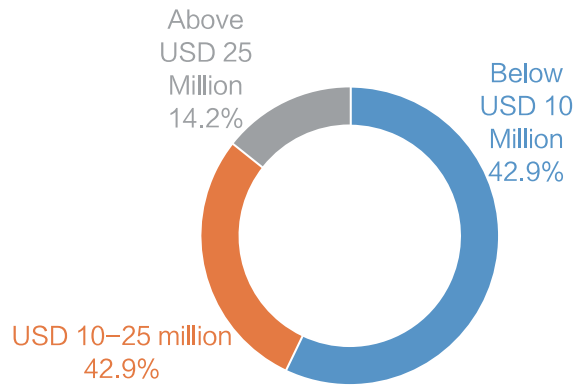
year. After all facilities are put into operation, annual production will reach 1 million pounds. This production capacity is still insufficient compared to the overall demand in Myanmar.

2. Most enterprises are large-sized

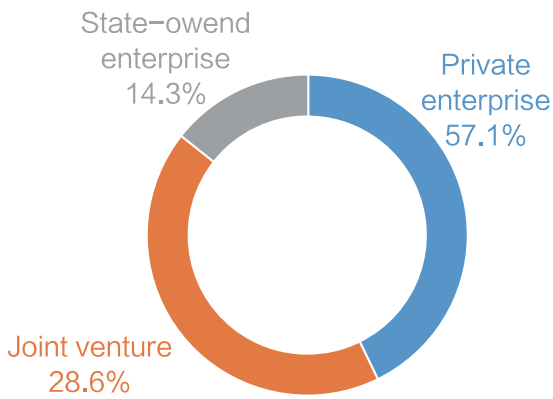
In terms of employee scale, enterprises normally employ 1,000–2,500 employees. The largest Chinese-funded enterprise in Bangladesh employs over 7,000 people. In terms of total assets, more than 50% of enterprises have capital over USD10 million. Regarding the nature of enterprises, most are private or joint ventures. They are listed enterprises in China, and have strong financial capacity. In terms of corporate structure, sole proprietorships and joint ventures with local enterprises share a similar proportion (see Fig 6).



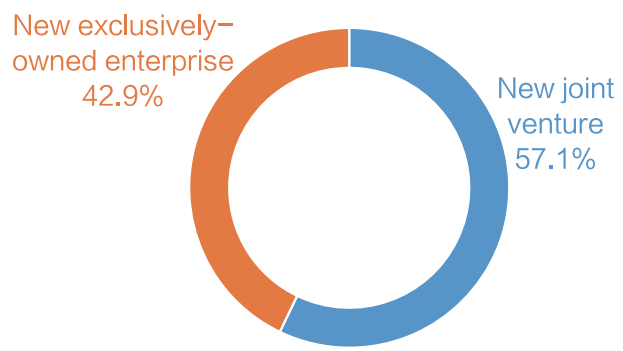
a. Enterprise scale



b. Total enterprise assets (by the end of 2016)



c. Nature of parent enterprise



d. Approach to overseas investment

Fig 6 Basic Information about Surveyed Enterprises



3. The proportion of local employees are high

Most enterprises employ more than 95% of local employees. The proportion of local employees takes up at least 80%–90%. This is related to local laws and regulations (Pursuant to Bangladeshi laws, foreign-funded enterprises shall at least employ 95% of local employees). Cost is another factor (generally, Chinese employee’s salary is 3–5 times more than local employees) (See Fig 7). Usually, managers and technicians are from China, while the rest of the employees are locally hired. However, most enterprises have not been operating overseas for very long (usually only three years) and thus the localization of managers is not high. Among the seven enterprises we surveyed, only two employ over 60% of local managers. This figure is 20%–40% in two of the enterprises, and lower than 10% in the other three enterprises (see Fig 8) .However, in line with development trends, the localization of management will be improved in the future.

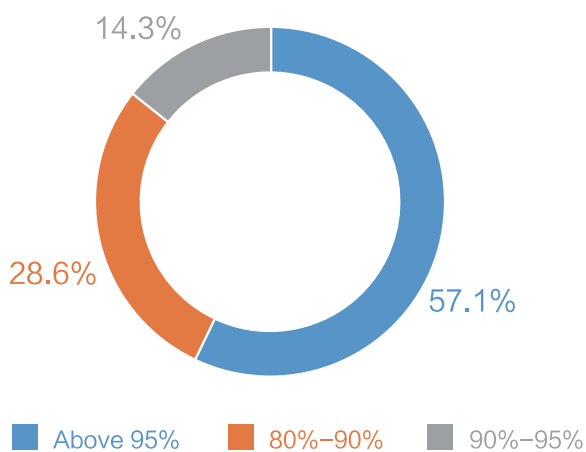


Fig 7 Employee Localization at Surveyed Enterprises

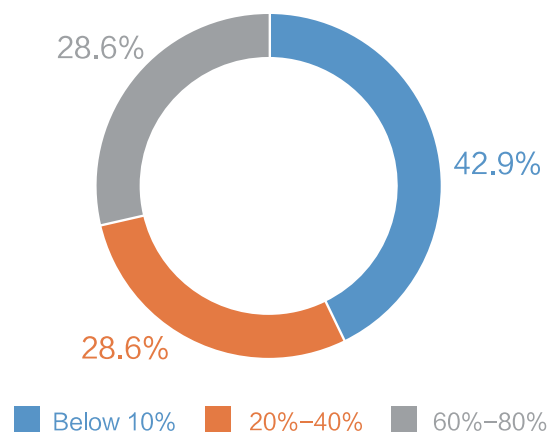


Fig 8 Localization of Enterprise Managers



4. Products mainly exported to Europe and the USA

As stated previously, many Chinese enterprises have invested in Bangladesh and Myanmar due to cheap labor and production costs, as well as preferential import tariffs offered by American and European countries to these two countries. Among the seven enterprises to which we sent questionnaires, all manufacturers sell their products to Europe (as 12% of tax rebate); three enterprises sell to the USA and one enterprise sells to Japan and Korea (this factory mainly sells to the Japanese and Korean market, and set up a factory in Myanmar on the request of purchasers) (See Fig 9).

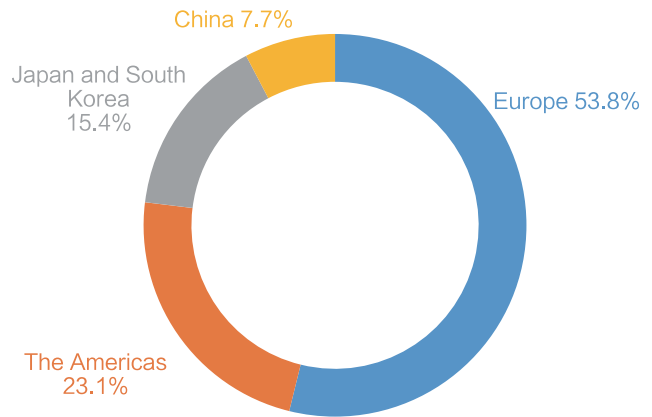


Fig 9 Destinations of Exported Products

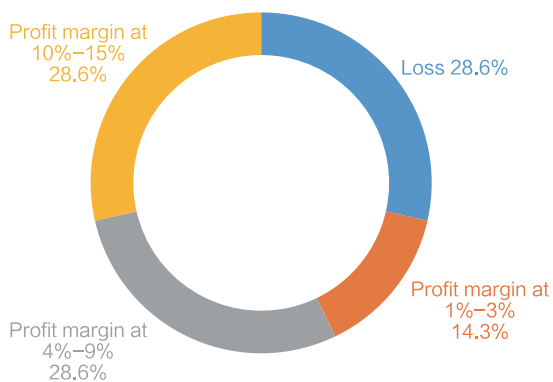


Fig 10 Enterprise Profitability

5. Profitable enterprises

From the returned questionnaires, two of seven enterprises earn 10%–15% profits, two earn 4%–9% of profits, and one enterprise’s profit ratio is 1%–3%. Two enterprises make a loss (See Fig 10). Textile and apparel enterprises have a low profit ratio. According to statistics, the profitability of Chinese textile enterprises above a designated size is 5.2%, 0.2percentage points higher than the same period of the previous year. It was found that these enterprises have higher returns overseas. Notably, these enterprises have only just begun overseas operations, and have not yet entered the profitable period. Only one enterprise makes a loss. It opened in 2016. The general manager of this company is optimistic about future profitability.



A shrine was set up for the employees to worship at.
(Photoed in K Company of Myanmar)

6. Enterprises still need to improve their strategic visions of “going global”

There is a question about “Going Global” in our questionnaire. From the returned information, it can be concluded that major motives include cheap labor (four times), preferential tax (four times), responding to order reduction (four times), avoiding horizontal domestic competition (three times), and eliminating trade barriers (three times). All of these motives are passive responses. Less frequently mentioned motives include improving international competitiveness (three times), diversification of investment risks (two times) and realizing business diversification (two times). This illustrates the fact that enterprises lack awareness of the importance of “Going Global” in their overall strategy and international operations (See Table 4). Generally, in terms of the questionnaire survey, labor and tax incentives are still major motives for enterprises to “go global” ; international buyers prefer low cost countries, which is a major external influence for enterprises to expand their overseas markets.

Table 4 Major Motives for Textile Enterprises to “Go Global”

Major motives	Proportion of mentions (%)
Cheap labor	57.1
Enjoying preferential tax rates	57.1
Responding to order reduction	57.1
Avoiding horizontal domestic competition	42.9
Elimination of trade barriers	42.9
Improving international competitiveness	42.9
Diversification of investment risks	28.6
Realizing business diversification	28.6

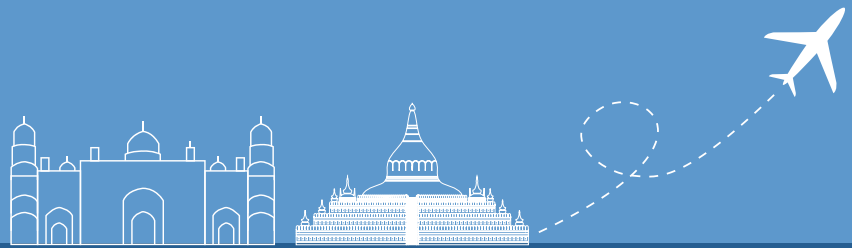
7. Enterprises lack understanding of local situations and professionals

Our survey revealed that a lack of understanding of local laws and regulations, as well as a lack of qualified managers and professionals are frequently cited problems for overseas investment (See Table 5). These risks and problems are not only faced by textile and apparel enterprises; they are faced by all enterprises engaged in overseas expansion. Comparatively speaking, textile and apparel enterprises feature labor-intensive operation, poor profit, and a large amount of labor input. Thus, these enterprises attract attention both locally and internationally. Due to these factors, textile and apparel enterprises face higher risks. Understanding laws, regulations, local cultural traditions, and international rules serves as a foundation for communicating with stakeholders, while professional talent is a key factor. If this problem cannot be solved, it will constrain enterprises' overseas development.

Table 5 Major Problems Facing Enterprises Engaged in Overseas Investment

Major difficulties	Proportion of mentions(%)
A lack of understanding of local laws, regulations, and risks	71.4
A lack of qualified managers or professionals	57.1
Difficulty in communicating with local trade unions	57.1
Difficulty in communicating with the local government	28.6
Financing difficulties	28.6
Recruitment difficulties	14.3





III. CSR Performances of Chinese-funded Textile and Apparel Enterprises in Bangladesh and Myanmar

CSR emerged earlier in the textile industry than in other fields. Entering the 21st century, fulfilling and strengthening CSR has become a trend and a consensus across the world. Stakeholders in the global textile industrial chain have also shift their attention to it. Developed countries link labor standards with foreign investment. Both consumers and investors pay attention to labor issues, under the gaze of NGOs, mass media, and the general public. Due to these factors, multinational corporations and developing countries have to cease “salary exploitation” and “factory exploitation” in order to be profitable. This will increase enterprise costs. However, in pursuit of production benefits, enterprises need to pay attention to labor and environmental protection if they are to realize balanced and sustainable development.

In recent years, the fast development of the textile and apparel industry has laid a solid foundation for the whole industry and the national economy. However, certain problems are becoming increasingly prominent, such as poor production and living conditions for employees, and worsening labor conflicts. The catastrophic building collapse of 2013 in Bangladesh was a turning point, leading textile and apparel bodies and enterprises to pay attention to these issues, particularly in Bangladesh.

The Building Collapse in Bangladesh and Its Influence

The rapid growth of the textile and apparel industry in Bangladesh brings a variety of problems, the most prominent of which is ignorance about working environments and staff safety. The country does not comply with the standards set by the International Labour Organization (ILO). In April 2013, the collapse of the Rana Plaza in Dhaka brought the problem to world attention. More than 1,100 workers in the apparel factories at the Plaza were killed, and 3,000 people were injured, making it the world's largest disaster of this type. In the building where the accident occurred, at least 30 of the factories were foreign clothing foundries. Six months before the incident took place, Tazreen Fashions, a clothing company in Dhaka, was the scene of a fire that resulted in the deaths of more than 100 people. It was the most serious fire in Bangladesh's history.

The collapse triggered a strong reaction both in Bangladesh and abroad. Improvements to the production environment of apparel factories were demanded, and a series of protests were held. After the accident, the EU proposed that Europe's future trade agreements should give a “more prominent position” to health and safety considerations. The United States also suspended GSP treatment of Bangladeshi goods (since the GSP of the United States does not include clothing production, this was more of a symbolic gesture). The Government of Bangladesh has come under unprecedented pressure, and many of the world's largest clothing suppliers and retailers have grown concerned about textile procurement as well. This has led all stakeholders in the apparel manufacturing industry in Bangladesh to reflect on the issues of employee welfare, supplier compliance, and sustainable development, and has raised the importance of corporate social responsibility to an unprecedented position.

Currently, Myanmar and Bangladesh are improving their laws, regulations, and policies. International purchasers are placing increasing pressure on textile and apparel enterprises, forcing them to abide more strictly by labor standards. Related international organizations and NGOs are actively engaged in protecting national labor rights and supervising textile and apparel enterprises to fulfil their CSR. Objectively, these measures improve employees' working and living conditions and protect their rights. However, they also cause problems such as increasing costs and weakening industrial competitiveness, causing a conflict between trade unions and enterprises, and leading to strikes. For example, in early December 2016, workers went on strike again in Bangladesh due to low wages. The factories concerned dismissed nearly a thousand workers,

and the police arrested the leader suspected of planning the strike. This led to a new round of resistance to the textile and apparel industry in Bangladesh. Although the situation has been improved, the future development of the textile and apparel industry (especially in corporate social responsibility) still faces a harsh environment. In February 2017, Hangzhou Hundred- Tex Garment (Myanmar) Co. in Myanmar was ransacked. These events are a result of long-term conflicts rather than independent or individual events. They must be solved by communication and dialogue among stakeholders.

Chinese textile and apparel enterprises expanding overseas face more uncertainties in fulfilling their CSR in a new cultural, social, and legal environment. Time and patience are required. However, the reality is that they do not enjoy any “privilege” ; they must withstand even greater pressure. According to our survey, most of these enterprises can adapt to the environment of the destination countries. They strictly abide by related laws and regulations, and build a good corporate image through continuously improving their corporate mechanism and their communication with stakeholders.

I. Abiding by Labor Standards

Laws and regulations are foundations for protecting labor rights. The most important of the labor laws and regulations in Bangladesh is the 2006 Labor Law of Bangladesh, which was revised in 2013. The Law provides detailed provisions on employment, remuneration, working hours, workplace conditions, union establishment, employee management, work injury compensation, minimum wage limit, maternity leave treatment, and employee dividends. The labor laws and regulations have a long time span. The Workers’ Compensation Act 1923, the Labor Organization Law (2012), and the Labor Dispute Mediation and Arbitration Law 2012 cover areas such as working hours, salary, women, child labor, and social security. The Myanmar Economic Zones Act (2011), The Dawei Economic Zone Act (2011), and New Foreign Investment Law are applied to foreign employees, and specify the minimum proportion of Myanmar employees in foreign-funded enterprises. After 2015, the Myanmar government made several rounds of negotiations with labor representatives and employer representatives. Finally, they reached a consensus on the minimum daily wage and severance pay standard, and emphasized employment management and government supervision. Meanwhile, the Ministry of Labour, Employment, and Social Security of Myanmar interpret prevailing laws through releasing regulations and announcements, and pose more requirements for employers. Although the Labor Law excludes the Ministry’ s internal policies (e.g. labor contract templates), employers must abide by them. The labor standards focus on the following specific aspects:

1. Employment Contracts and Working Hours

1) Legal Requirements

Bangladesh: The Labor Law of Bangladesh specifies working hours and contract stipulations. Employment contracts are generally written; a probation period of three months to half year is generally necessary before employment, and during the probation period, both sides can be notified one month in advance to terminate the cooperation; working hours are eight hours per day and 48 hours a week, with Friday is the rest day. Working hours beyond the specified time are regarded as overtime. Working overtime must be voluntary, and the overtime wage should be twice the basic wage.

Myanmar: Pursuant to The Factories Act 1951, daily shifts shall be no more than eight hours, and overtime work shall be limited to a maximum of 12 hours per week. Otherwise, employers or general managers will be fined 2 million kyats along with imprisonment for up to three months. From January to October 2016, over 80 enterprises were disciplined by the labor bureau, and six garment enterprises out of 13 were brought to trial. The Factories Act, as amended in 2016, further specifies that overtime work must be reported to the labor authority for approval one month in advance. Our surveyed enterprises do not ask employees to work overtime without reporting in advance, even in such circumstances as temporarily increasing orders or failing to complete orders for a variety of reasons. To deliver goods on time, factories must select air freight, and thus increase costs.

2) Implementation

Pursuant to returned enterprise questionnaires, almost 100% of enterprises sign employment contracts with employees. All enterprises have an overtime compensation mechanism.

From the returned employee survey in Myanmar, the survey results are similar to the information reported by enterprises. In terms of contract signing, over 95% of employees sign employment contracts with enterprises (only two out of five respondents responded). One respondent replied that he does not know about contract signing, and one respondent claimed that his employer did not sign a contract with him. (See Attachment 6)

Table 6 Reasons Why Enterprises Do Not Sign Employment Contracts with Employees

Reasons why enterprises do not sign employment contracts	Frequency
I did not sign a contract with my employers	1
I did not want to sign it. It doesn't matter.	0
I don't know.	1
Neither I nor the enterprise wanted to sign it.	0
Others	0
Total	2

In terms of gender composition, all the five employees did not sign employment contracts are female. In terms of education background, employees who did not sign employment contracts included one high-school graduate, two university graduates, and two post-graduates. Four employees who did not sign contracts are 18–25 years old, three employees had worked at the enterprise for under a year, and four were grassroots employees. Other non-signees were four employees from outside Yangon, three employees who were students before joining the company, two employees who worked for other employers before joining the company, and four low-income employees.

There are only a few cases of contracts not being signed. According to cross-comparison of data, these employees may just have joined the factory and are still on internships (according to cross-analysis, three employees work less than 22 days per month, including two university students and one post-graduate student, with admission of less than one year).

In terms of working hours, 62% of employees work 26 days per month. 33% of employees work 26–31 days per month (Myanmar adopts 5.5 days per week. Employees consider Saturday working for half day as holiday as well) (See Fig. 11).

Employees who work fewer than 22 days per month are new recruits (with a tenure of less than one year). The proportion of newly recruited employees who work between 26–31 days and whose tenure is less than one year is high. Grassroots employees and managerial personnel work longer hours than middle-level managers. Comparatively, low-pay employees work longer. (See Appendix 2)

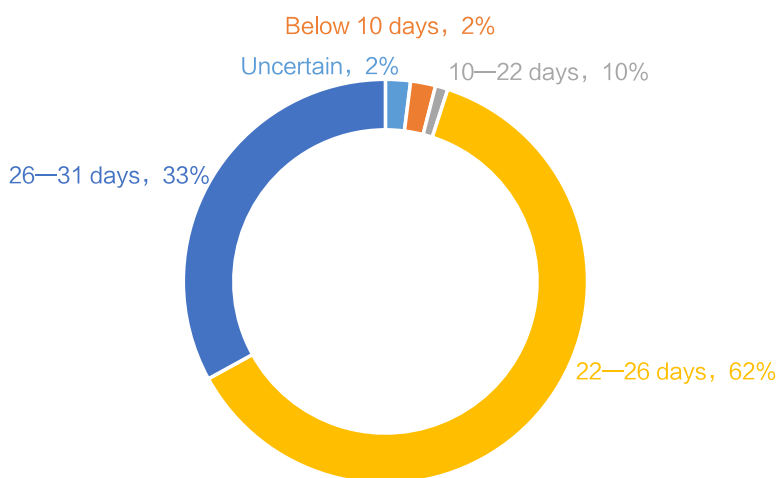


Fig 11 Monthly Working Hours for Employees

In terms of daily working hours, 55.9% of employees work for 8 hours, 42.2% of employees work for 8–10 hours per week. No employee work for more than 10 hours. (See Appendix 2)

In terms of overtime work (minus normal 44 hours per week), 75.3% of employees work for 10–16 hours of overtime, 18% of employees work less than 5 hours. No one works for more than 16 hours (See Fig 13).

After analyzing the data on “weekly overtime 10–16 hours” (the number of employees working overtime is the largest in

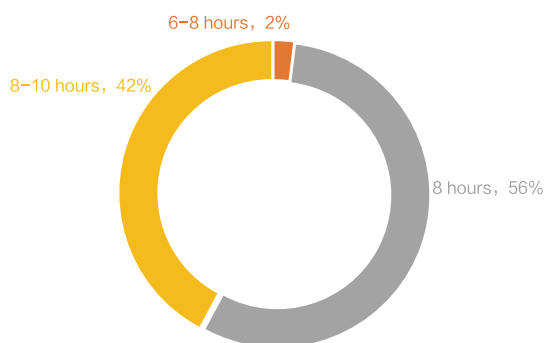


Fig 12 Daily Working Hours for Employees

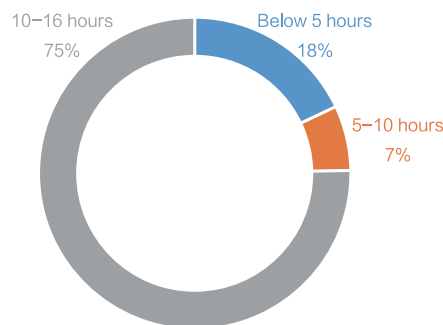


Fig 13 Employees' Overtime per Week

this section), the following conclusions can be drawn. Comparatively, employees who work longer than others include male employees, employees with long tenure, employees with a low education level (graduates of junior high schools), employees holding senior positions with an income of around 130001–160000 Kyats (USD95–117) and a high income (220000 Kyats, or USD161), migrant workers, and employees with work experience longer than newly-graduated students. Among these groups, most are people who shoulder a heavier family burden or have more job responsibilities. The workers have heavier family burden work overtime to earn more money for their families, while the employee with high position work overtime to meet job requirements (See Attachment 3).

In terms of overtime pay, most of employees receive overtime compensation as per regulations. However, 8.7% of workers report that they do not receive overtime pay 2.9% of workers express that they do not receive the full amount of overtime pay. (See Fig 14).

Generally, most employees abide by the working hours and contract laws and regulations of the host country. According to

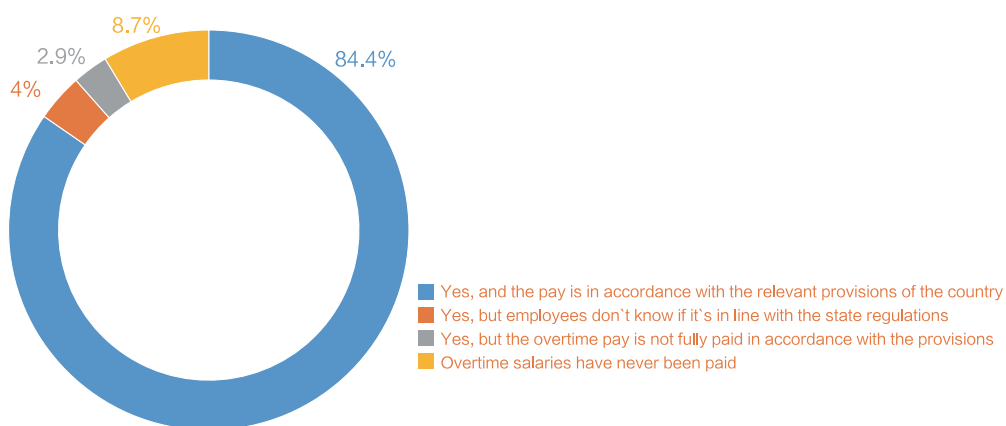


Fig 14 Employees' Overtime Pay

our survey, most enterprises pay salaries and overtime pay as per regulations. Salary payment in a timely and full manner is a precondition for a stable workforce and a foundation for increasing employee loyalty. We visited a company in Bangladesh where the longest serving employee had been there for 32 years.

2. Minimum Wage Standard and Benefits

1) Minimum Wage Standard

Bangladesh: As per the Labor Law of Bangladesh, wages are determined by consultation between employers and employees, but must not fall below the standards set by the Minimum Wage Commission of Bangladesh. After the collapse, the garment factory workers in Dhaka held a large-sized protest, asking for the minimum wage to be raised. The Government raised its minimum wage by 77%, from the original USD 38 per month to USD 68 in 2013. Although this increase was very large, the raised wage still ranked the lowest in the world because the base was so low. In addition, over the last three years, commodity prices are rising steeply in Bangladesh, such as rent. A basic room with an area of 20 square meters located in a remote area now costs over BDT4000. As the government planned, the minimum wage has not changed. The current minimum wage is BDT5300 (equivalent to USD66 by the current exchange rate). As planned, the minimum wage will not change again until 2018.

According to Bangladesh-funded H Company, which we visited, companies in the export process zone (EPZ) will increase their wages by 10% per year, making jobs there more sought-after. A Chinese invested company B, which we also surveyed, said that its wage level was higher than the minimum. The loss rate of employees at these two companies is only about 2%, which is an indication that employees are satisfied with their wage level. However, we do not know whether more small businesses and enterprises outside the EPZ are qualified in ensuring the minimum wage for their employees.

Although the statutory minimum wage is not high in Bangladesh, we know from our survey that the average salary provided by Chinese-funded enterprises is higher than the minimum wage and salary provided by local companies. The average local salary is around BDT6000, while Chinese enterprises offer BDT8000.

Myanmar: Although the cost of labor is lower in Myanmar, salaries have been growing quickly in recent years. In 2012, the minimum wage was less than US\$2/day. However, on September 1st 2015, the nationwide minimum wage was set at Kyat 3,600 per day regardless of region and vocation (around US\$2.7 by the current exchange rate). Meanwhile, work exceeding eight hours per day and five days per week is considered as overtime. Overtime pay is calculated as double the basic wage. Registered companies in Myanmar must pay social insurance, special allowance, and pension fees to employees, subject to various industry standards.

Since the minimum wage was rolled out, labor disputes between managers and workers frequently occur across the country, particularly in the garment industry. On the one hand, employees request higher salaries; on the other hand, enterprises struggle to survive. As far as we know, labor organizations have requested an increase in the minimum wage to Ky at 8,000 (USD5.9). Many enterprises believe that the government will finally reach a consensus with workers, and will increase the minimum wage to Kyat 5,600. If so, garment enterprises will face huge pressure from increasing costs. With the current minimum wage, garment enterprises need to pay a monthly salary of Kyat 200,000 (USD146) to a worker, including basic salary (Ky at 3,600 per day and Ky at 108,000 (USD79) per month), overtime pay, and various benefits. The cost to factories is actually higher, because most workers have low skills and low productivity, and fail to meet production requirements.

According to the results of our enterprise questionnaire survey, the average salary provided by seven Chinese-funded enterprises is higher than the minimum wage and salary offered by local companies. One enterprise expressed that their salary is more than double the minimum wage; three enterprises offer salaries similar to the minimum wage, and three enterprises offer salaries more than nearly 50% of the minimum wages. (See Figure 15).

In the opinions of surveyed managers, all Chinese enterprises provide similar salaries to local average wages (three out of seven), or slightly higher (four enterprises) (See Fig16).

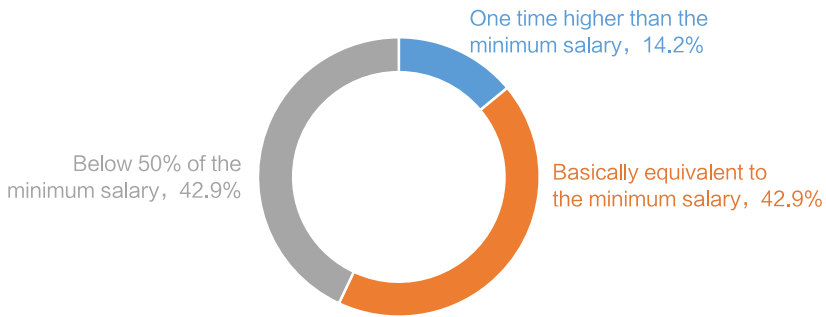


Fig 15 Comparing Employer Salary with the Local Minimum Wage

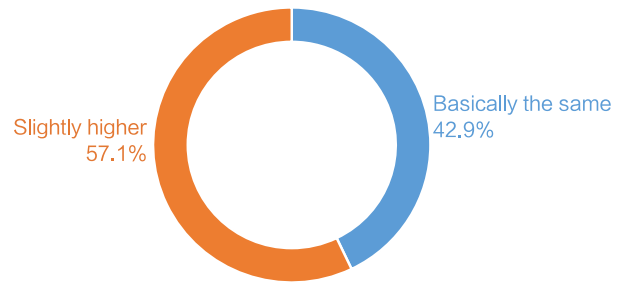


Fig 16 A Comparison of Salaries Offered by Chinese-funded Enterprises and Local Peers

In addition, all enterprises stated that they have paid all wages in a timely manner.

In terms of the returned questionnaire survey from Myanmar employees, less than 4% of employees with monthly income less than 100,000 kyats (USD73). 81% of employees earn a salary of 130,001-220,000 kyats (USD95-161). (See Figure 17)

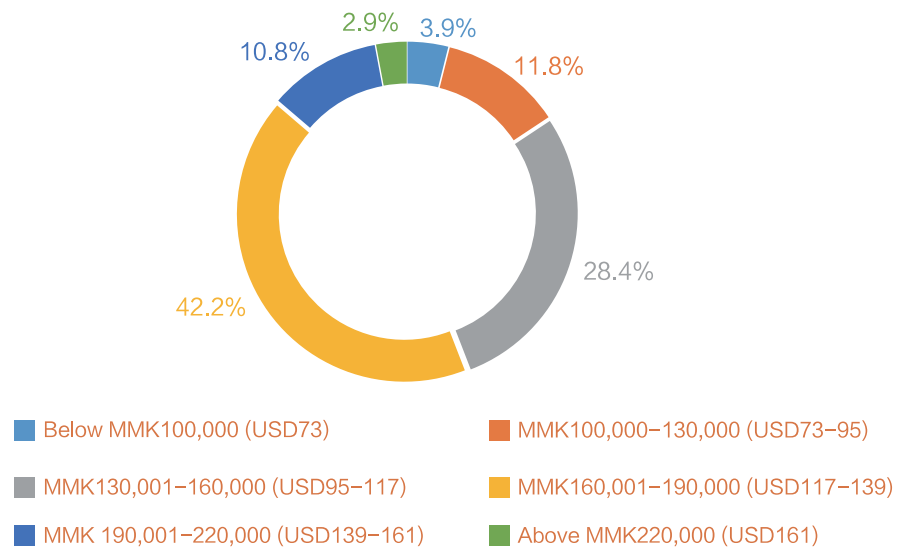


Fig 17 Monthly Salary of Enterprise Employees

Employees are satisfied with current wage payments. Comparing wage and workload, 58.8% of respondents consider that their workload is equivalent or higher than their earned salary, and 39.2% of respondents believe that their workload is slightly lower than their salary. 2.1% of employees think that their salary is lower than their workload (See Fig 18).

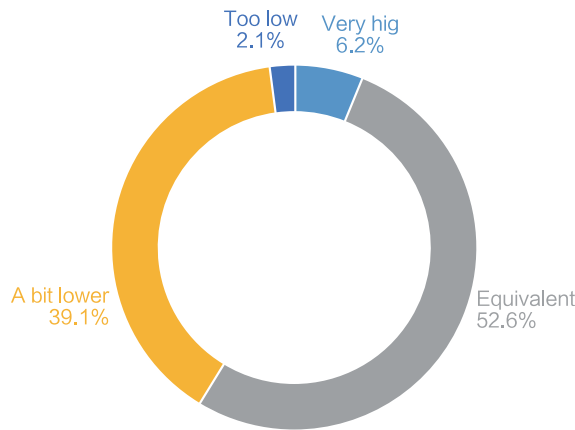


Fig18 Salary Satisfaction Among Employees (Based on Salary-workload Comparison)

Case: Piece-based Wage and Hourly Wage

As per the Labor Law of Bangladesh, employers shall adopt the hourly wage system. However, China adopts a piece wage system to stimulate employees' morale. Thus, some Chinese-funded enterprises in Bangladesh negotiate with employees and give certain bonuses based on hourly wages. This allows them to abide by laws and encourage more pay for more work.

Both piece wage and hourly wage are allowed in Myanmar. Some companies adopt different approaches, which may cause misunderstandings. A strike took place at Company A due to conflicts between piece wage and hourly wage. At Company A, employees' wages are subject to whichever is higher – piece wage or hourly wage. The HR department marked both rates along with the actual pay on the pay slip. However, employees did not understand these figures, and wrongly believed that the actual pay was the sum of the piece wage and hourly wage. After an explanation from the HR department, the employees understood the figures. The HR department now only marks the actual pay on the pay slip.

Divided by employee age, the satisfaction of employees at 18–25 years old is slightly lower than those at 25–35 years old. Only employees at 18–25 years old feel that their salary is much lower than their workload. This may be because senior workers with more work experience have a higher salary. Classified by education, it was found that the higher education qualification, the lower the salary satisfaction. Among the employees with postgraduate qualifications, nearly 65% feel that their salary is slightly low, while this figure is 33.3%, 13.3%, 36.7% and 42.9% for employees with primary school, junior high school, senior high school, and university qualifications, respectively. We found that the shorter the tenure, the lower the salary satisfaction. The satisfaction of grassroots employees and migrant workers is lower, while employees who were students before joining the company are the least satisfied. (See Appendix 2)

8% of employees believe that their current wage does not meet their living needs, 53% of employees consider that their current wage just meets their living needs, 32% of employees consider that their current wage covers their living needs, and 7.7% of employees believe that their current wage ensures wealth (See Fig 19).

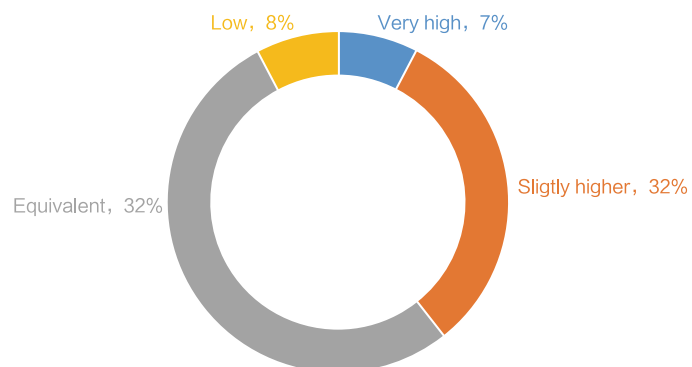


Fig 19 Comparing Employers' Salaries with the Local Living Standards

The comparison results are similar to those of salary satisfaction. Employees at 18-25 years old are the largest proportion who live beyond their salary. In terms of education background, employees with a high education background are more numerous than those with low education in terms of feeling wealthy. Most employees living beyond their salary are those with only high school qualifications. Employees with a tenure of less than one year show a two-tier pattern. 9.1% of employees consider themselves to be wealthy, while 12.7% of employees consider that they live beyond their salary. These two figures are higher than for other groups. More grassroots employees consider that they live beyond their salary. However, employees who believe they to be wealthy are grassroots employees. Employees with an income of 130000-220000 Kyats(the main stream in the factories) also show a two-tier pattern on the question of whether their salary meets their basic living needs. The proportion of both satisfaction and dissatisfaction is high. Comparatively, employees from Yangon who feel wealthy are more numerous than migrant workers. The proportion of employees without any work experience (e.g. school students or unemployed people) is higher than other groups in terms of considering themselves to be wealthy. By contrast, employees who have worked for other employers are more numerous than other groups in considering that they live beyond their salary (See Fig 1 in Appendix I).

Generally, young people and employees with higher education expect to earn a higher salary. However, employees with a better educational background can earn more and have a better life. Migrant workers face heavier living pressures, and hope to earn more. Some employees leave their hometowns to seek a decent job in cities to support their families in rural areas. For employees who have previously worked at other enterprises, most job-hop for a higher salary. They are sensitive to salaries, and may job-hop again.

2) Employee Training

Training is one of the largest benefits for employees, providing them with future development opportunities. It offers enterprises the capacity to improve the intelligence and technological ability of their staff, thus improving the productivity of each post. Among our surveyed employees, several enterprises provide off-job training. Some enterprises express that “supervisors” (i.e. Chinese technicians) will give guidance and help when inspecting onsite, although they don’t receive any formal training. This could be considered as a kind of training. From the returned enterprise questionnaires from these two countries, it was found that companies provide various types of training for their employees. In addition to fire safety training, companies will offer induction training to new employees, as well as uninterrupted on-the-job training. For some special positions, companies will also carry out professional technical training. However, the number of training days is low. In 2016, employees participated in a maximum of 25 days of training, normally under ten days.

However, from the returned questionnaires from Myanmar employees, we come to a totally different conclusion (this contradiction may be caused by different understandings between labor and management). For example, employees do not consider simple orientation training and guidance given by the “supervisor” during the inspection as training. Most of employees (67.6%) express that they do not have any learning or training opportunities. Only 23.5% of employees have received other training after joined the company. (See Fig 20).

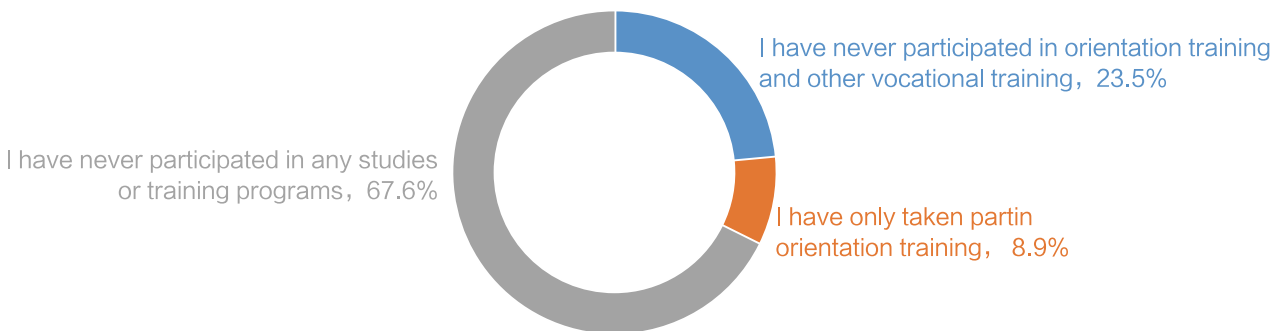


Fig 20 Employee Training

We could not clarify the actual situation, as enterprise managers and employees gave totally different survey results. However, in the interviews with managers at Myanmar enterprises, they repeatedly emphasized a high turnover rate. Many employees will job-hop for a slightly higher wages. So, the employee turnover is around 20%. Once employees hop jobs, the training investment will be wasted. Therefore, enterprises may be conservative about employee training, or may prefer leaving training opportunities to employees with longer tenure. From the employee questionnaire survey, employees who have worked for 2–3 years receive more job training and other training (See Fig21). Of course, employees may misunderstand the meaning of training, and take fire safety training as job training.

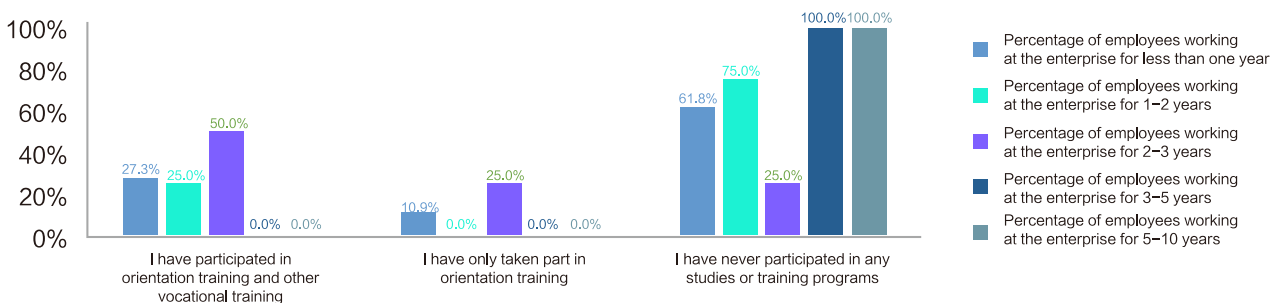


Fig 21 Analysis of Service Tenure of Trained Employees

Case: Corporate training and employee turnover ratio

Many enterprises are unwilling to make investments in training due to a high turnover rate. This is particularly true in Myanmar. At the beginning of 2016, Company K set up a factory in Mandalay, due to sufficient labor supply and low turnover rate there. However, the production efficiency was lower than in Yangon, with only 30%–40% of the productivity seen in China (productivity in Yangon was around 50%–70% of the productivity in China). To improve employees’ skills, factories are carrying out many kinds of training. After this year’s Water–Splashing Festival, the company arranged for 20 technicians to receive training in Zhejiang and Shandong provinces, enabling them to learn about Chinese technology and culture. The selected employees were very happy to have the opportunity to learn advanced skills from China and share them with their colleagues. The managers stated that the training will not only improve the skills of 20 trainees, but will also raise the technology and productivity of the whole factory. These measures also strengthen communication between enterprises and employees, significantly improving workers’ sense of belonging and reducing the turnover rate.

3) Other Benefits

Bangladesh: As per the Labor Law of Bangladesh, employees are entitled to such benefits as allowance, rent, medical subsidy, and holiday bonuses. In addition, employees have ten days of casual leave, 17 days of annual leave, 14 days of sick leave, and 11 days of holiday leave.

Myanmar: Pursuant to the Social Security Act, employees are required to participate in the employee social security scheme. According to this scheme, subscribed employees are entitled to several insurances (e.g. sickness, maternity, death, work

insurance, and occupational diseases) and several benefits (e.g. free medical care, disease and maternity subsidy, work injury subsidy, and pension). Social security and benefit funds come mainly from two sources: 1) a subscription contributed by enterprises and employees (i.e. 4% of total salary, 2.5% from enterprises, and 1.5% from employees), and 2) over 200 million Kyat allocated by the government each year). From the returned enterprise questionnaires, more than 95% of enterprises buy social security for their employees.

Case: Strike on the Water–Splashing Festival

In Myanmar, the Water–Splashing Festival is a holiday for family reunions, like Spring Festival in China. In 2017, the Water–Splashing Festival holiday changes from ten days to five days. The government only announced this stipulation several months before the Water–Splashing Festival. Enterprises were advised to arrange holidays in line with their own situations. Therefore, holiday arrangements varied in different enterprises. However, most companies knew that their employees came from remote areas. Five days are not enough for such a long trip. Thus, they allowed ten days for the holiday, as in past years. However, Company C was a newly established company and did not know the arrangements of other companies. So, it followed the national holiday arrangement. Employees from Company C and other companies were given five days of holiday, so they organized a strike. The directors of Company C negotiated with employee representatives to see whether employees would agree to transfer. However, upon voting, one third of employees insisted on ten paid holiday days, one third agreed to take ten days off and only four days of paid leave, while one third agreed to shift their “off” days. Given that most employees agreed to take 10 days off during the Water–Splashing Festival, Company C decided to give ten days of paid leave.

According to our research, in addition to the necessary security system and facilities, the working environment at these companies is quite good in Bangladesh. Ventilation, staff density, dust management, and drinking water facilities have reached a certain standard. Although no company provides employees with cultural and recreational facilities (which may be related to religion), some Bangladeshi enterprises have set up infirmaries, prayer rooms, and daycare facilities in accordance with the law (where employees can leave their children. This is a feature of Bangladeshi enterprises). Some companies also provide employees with dormitories (An MoU has been signed in 2014 between the BGMEA and the Central Bank to provide 'dorms construction' loan at 1.5% interest rate for the BGMEA member factories.). In Myanmar, some enterprises set up shrines for employees to worship at, as well as dining halls with good ventilation. In Myanmar, some enterprises set up racks for lunch-boxes. As the water quality is poor in Myanmar, factories install water purification devices or purchase bottled water. As Burmese factories don't usually provide dormitories, many enterprises provide shuttle bus services.

3. Security and Health Assurance

Bangladesh: After the collapse, more stringent safety regulations have been implemented to ensure that plant safety standards comply with international standards. For the implementation of safety regulations, the Government of Bangladesh and representatives from employers' organizations and workers' organizations have signed a national tripartite agreement (NTPA), which aims to review action on fire safety and to build structural integrity in the apparel industry. The main contents of the review include the structural integrity of plants, fire safety assessments, enhanced labor inspections, training for workers and management, occupational safety and workers' health, workers' rights, and rehabilitation for disabled workers. The implementation of these activities will be monitored by the Tripartite Commission, which will be chaired by the Secretary of the Ministry of Labor and Employment of Bangladesh. The Labor Inspector for the specific implementation of the review may refer any problems discovered to the Tripartite Committee for consideration. At the same time, European brands and buyers have promoted the signing of the Bangladesh Accord on Fire and Building Safety. North American brands and buyers have initiated the Alliance for Bangladeshi Worker Safety, and have signed a cooperation agreement with the Bangladesh Fire Safety Association. They have also guided apparel plants in the country to adopt the world's best practices and the

highest standards for fire safety, to instruct daily production. These agreements have provided member organizations and apparel plants with a variety of instructions and training information. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) is the most important industry organization in the country's apparel industry. It has published related occupational safety directives, and has compelled members to implement them.

Myanmar: The Labor Law of Myanmar also specifies that an employer shall provide a safe, environmentally-friendly working area to ensure the mental and physical health of employees. This also includes provisions pertaining to fire safety, building safety, and labor protection.

All the enterprises we visited have developed strict safety production systems and work regulations, and have posted them in a prominent position in the company. Fire-prevention facilities in the company are properly placed, and emergency evacuation channels are unimpeded. Enterprises regularly carry out training or exercises on safety and fire prevention for employees, and provide workers with various types of labor protection products, mainly including fire extinguishers, work uniforms, gloves, masks, and earplugs. Of course, these products are also mandatory for the third-party certification of corporate social responsibilities. Based on our observations on the site, the implementation of safety regulations by all these enterprises is in place.

From the returned questionnaire survey, all enterprises have formulated safety regulations. Most enterprises strictly implement fire safety training and drills.

From the returned questionnaires from Burmese employees, employees are satisfied with the working environment and health conditions. Only 5.8% of employees consider that their work may be dangerous (see Figure 22).

In addition, enterprises provide labor protection facilities and equipment for employees. However, 7.8% of employees express that they are not taught how to use these facilities and equipment (see Figure 23).

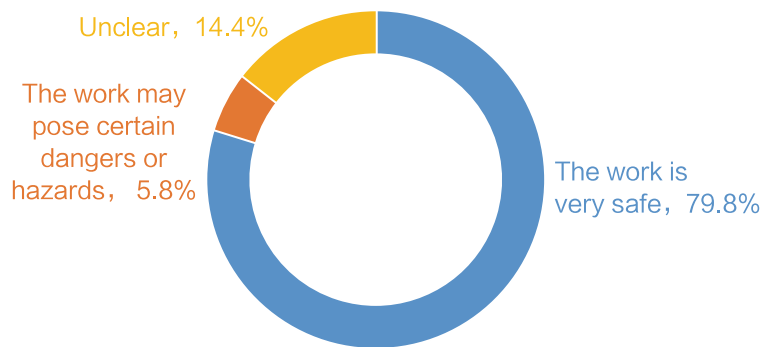


Fig 22 Corporate Employees' Awareness of Dangers in the Working Environment

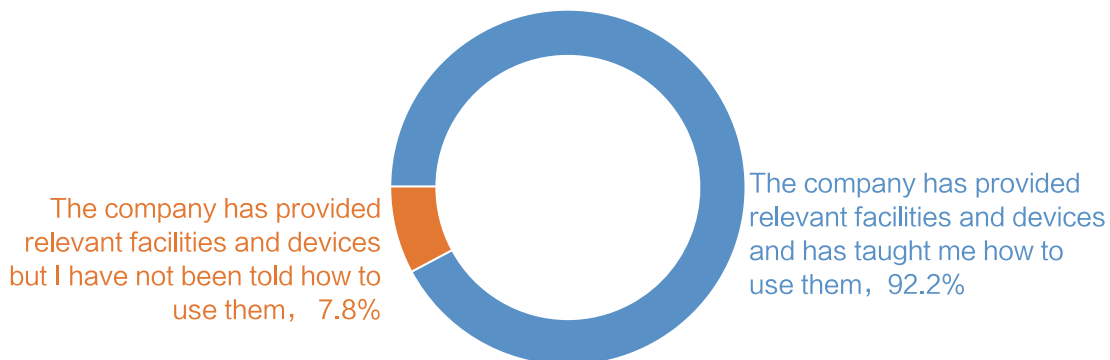


Fig 23 Enterprises' Provision of Labor Protection Facilities/Equipment and Corresponding Instructions for Employees

We should see that the improvement of the monitoring mechanism and labor protection system not only protects the safety of the workers, but also reaps benefits for the garment manufacturers, because improved security makes suppliers and wholesalers more confident.

4. Child Labor Issues

Myanmar: Myanmar is one of the countries with the most serious child labor problems in the world. Although the Myanmar government signed the Child Labor Convention with the International Labor Organization, child workers are frequently employed. According to the demographic and housing census of 2014, one in five children aged 10–17 go to work. Many of them are engaged in employment before reaching the legal minimum age of 14.

Pursuant to the current laws, Workers aged between 14 and 16 are only allowed to work up to four hours per day, and those aged between 16 and 18 can work for eight hours per day. Overtime work is not allowed. Only those aged 18 and above, and thus considered as adults, can work normal hours and overtime. Now, many purchasers only cooperate with well-developed foreign-funded factories that abide by the code of conduct for suppliers. These factories normally require a minimum age of 16–18, higher than the minimum government stipulations.

In 2016, Labour Rights Defenders & Promoters, Somo, and Action Labour Rights conducted a joint survey on child workers in more than ten garment factories in cities including Hlaing Thar Yar, Ruibaogan, Mingaladon, Bago, and Pathein. Five of the 30 surveyed employees were child workers aged between 13 and 14. We did not find any child workers in the enterprises we surveyed. The questionnaires from Burmese employees show that employees are mainly aged 18–25, at a proportion of up to 78.6%, followed by those aged 25–35. There are no employees aged below 18 (see Fig 24).

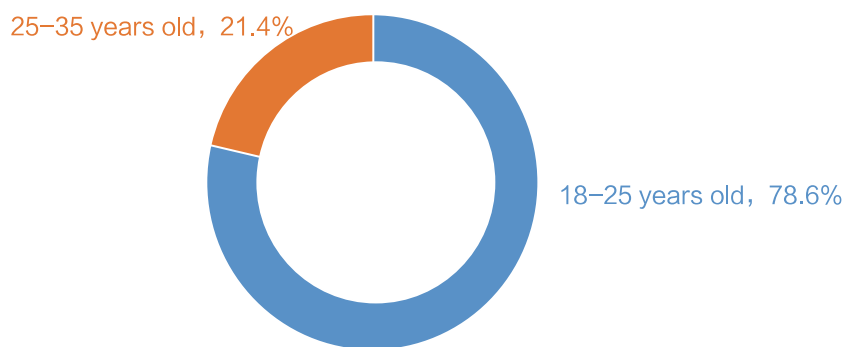


Fig 24 Age Structure of Corporate Employees

Bangladesh: Child labor prevails in this country as well. The Labor Law of Bangladesh stipulates that the minimum age of corporate employees is 14, but data shows that there are still about 4.70 million children aged 5–14 who work. In particular, informal unregistered operating institutions tend to use child workers, who usually suffer poor working environments, low remuneration, and even violent mistreatment by employers. We did not find child labor in the enterprises we surveyed.

However, enterprises have mentioned that some young people lie about their age on application forms in order to gain employment. Therefore, factories strengthen recruitment control and check workers' age and identification. For example, Burmese enterprises require applicants provide official documents issued by government agencies in their hometowns. An enterprise will also file duplicates of all identity certificates and documents used to verify age, whether employing the applicant or not. This has prevented the occurrence of child labor to a great extent.

Of course, the unavoidable reality is that it is impossible to eliminate child labor in developing countries like Myanmar and Bangladesh, which suffer poor economic situations. Child workers come from remote villages and have difficult family backgrounds. Even if these children weren't working in factories, their families cannot afford their education. Their wages

can help them to feed themselves, and can also cover their daily family expenditure. Once they are asked to stop working and return to their hometowns, they and their families will face an even worse situation.

Enterprises will not terminate labor contracts with employees who meet the statutory working age but not the age required by suppliers. Instead, they ask these employees either to continue their jobs or go back to school. For juvenile workers, factories express that they will provide appropriate special protection and ensure that they work only the specified hours and days permitted by law.

Case: Handling of Child Workers

In our interview with CCR CSR (Centre for Children's Rights and Corporate Social Responsibility), they told us that a Chinese enterprise found a child worker under 16 years old (which meets Myanmar's law but not the purchaser's requirements). The enterprise sought help from the CCR CSR. The CCR CSR suggested that they continue to employ the worker, pay full wages, and provide necessary training for the worker until he is 18 and can start normal work. This is because if the factory had dismissed the worker, he would have found another job using a false ID.

5. Labor-Management Relationships

Bangladesh: Bangladesh is a country with a strong trade union movement, with more than 6,400 trade unions nationwide. In Bangladesh, most trade unions are associated with political parties, and active frequently. They often organize extensive strikes sometimes for political reasons. After the collapse in July 2013, the Government of Bangladesh offered more rights to workers, including the right to organize or join trade unions, in order to deal with international concerns. According to the old law, if a worker wanted to register a trade union, they had to submit to the Government a list of quasi-members (at least 30% of the workers of a factory), but the list would often be revealed to the factory owner. Under the new legislation, the factory owner cannot access the list, and workers are protected. However, the ILO remains dissatisfied with the progress. ILO believes that a trade union should be set up as long as 10% of employees have the will to do so, but the Government of Bangladesh insists that more than 30% of employees must support the establishment. In addition, only workers' welfare organizations are allowed in export processing zones (EPZ); trade unions are not allowed.

Myanmar: Before 2011, assisted by the International Labour Organization (ILO), the Thein Sein government introduced the country's first Labor Organization Law, which regulates industrial relations pertaining to trade unions, employer associations, and collective actions. Similar to the Labor Law of Bangladesh, the law also confers workers the right to establish labor organizations. Many garment factories formed workers' unions after this labor law was promulgated. Some trade unions have been established in apparel assembly plants in industrial parks such as Hlaing Thar Yar and Shwe Pyi Thar. Since the Myanmar National Democratic Alliance Army took office, Myanmar has become increasingly open to the outside world, and more and more NGOs have been established. Trade union organizations have mushroomed. The surveyed Confederation of Trade Unions of Myanmar (CTUM) claims that it is the largest trade union in Myanmar, and is recognized by the government. It maintains close contact with purchasers and the Myanmar Garment Manufacturers Association (MGMA). This organization exerts increasing influence in Myanmar, involving itself in labor disputes and negotiations with enterprises on behalf of workers. Meanwhile, it helps to raise workers' awareness by offering training courses. In January 2015, the MGMA ratified a Code of Conduct for its member companies as a guide and framework for responsible business practices in the country's garment sector. Measures include establishing Workplace Cooperation Committees (WCC) to facilitate communication between owners and workers.

“A strike makes a loss. A plant with 1,000 employees will lose RMB60,000–80,000 every day and tens of thousands of RMB if the strike lasts 5 days. We will have to work one or two months to recover the loss.”

— The General Manager of a Chinese-funded enterprise in Myanmar comments on strikes.

From the returned questionnaires, it could be found that four out of seven enterprises have trade unions, while the rest three enterprises don't have. Among the Chinese-funded enterprises in Bangladesh that we surveyed in the export processing zones, all of them have WWA(Worker's Welfare Association). Among our surveyed Chinese-funded enterprises in Myanmar, most factories have organized Workplace Coordination Committee (WCC) to strengthen communication between the management and employees. For example, the WCC of Company A consists of eight members, who are elected from the production line. Once or twice per month, the management team talks with the WCC to understand and solve issues of concern to employees. The questionnaires from the enterprises also show that over the past year, two of the seven enterprises have experienced labor disputes, and have resolved these problems through collective negotiation. We have also learned that before trade union organizations or quasi organizations appeared, workers would first go on strike in a labor dispute, and then spontaneously select a leader to negotiate with the employer. Now, the representative of the trade union or the worker's organization will communicate with the plant supervisor. Enterprises say that they have resolved most strikes after agreeing to increase wages or improve welfare for workers.

Settlement Mechanism for Labor Dispute in Bangladesh

The settlement of a labor dispute involves three steps – negotiation, mediation, and arbitration – pursuant to the Labor Law of Bangladesh. If a labor dispute happens at the negotiation stage, a collective bargaining agent (CBA, usually the trade union) will communicate in writing with the concerned parties. The party then meets the CBA to discuss the disputed matter within 15 days of receiving the written notice. If both parties enter into a mediation agreement, the employer shall submit the agreement to the government, the labor authority and the mediator after it is recorded in writing and signed by the employer and workers. If one party fails to meet the CBA within 15 days of receiving the written notice at the mediation stage, or if both parties in the labor dispute fail to arrive at a mediation agreement within one month of the first meeting, either party can apply for mediation to the mediator appointed by the government within 15 days of the expiration of the aforesaid 15-day period. The mediator shall convene the concerned parties to meet, and mediate for both parties within 10 days of receiving the application for mediation. If both parties enter into a mediation agreement, the mediator shall submit the agreement to the government after it is recorded in writing and signed by the employer and workers. If the mediator fails to settle the dispute within 30 days of receiving the dispute, the mediation will fail. After the mediation procedure fails, the mediator shall try to persuade both parties to submit the dispute to the arbitrator. If the parties do not agree to submit the dispute for arbitration, the mediator shall send evidence for the failure of the mediation procedure to the parties within 3 days. At the arbitration stage, the arbitrator shall give an arbitration award within 30 days of receiving the application for arbitration. After giving an arbitration award, the arbitrator shall submit a duplicate of the arbitration document to the concerned parties and the government. The award shall remain in effect for a period of two years, and represents the final decision (excluding an appeal).

However, employees seem dissatisfied with enterprises' efforts. The returned questionnaires from Burmese employees, employees hope to solve labor disputes and work-related problems through related institutions or organizations (67%) (See Fig 25).

Among such organizations, employees prefer to seek help from trade unions. Workers unlikely trust the WCC, and only 8% of the respondents say they will turn to the WCC (see Fig 26).

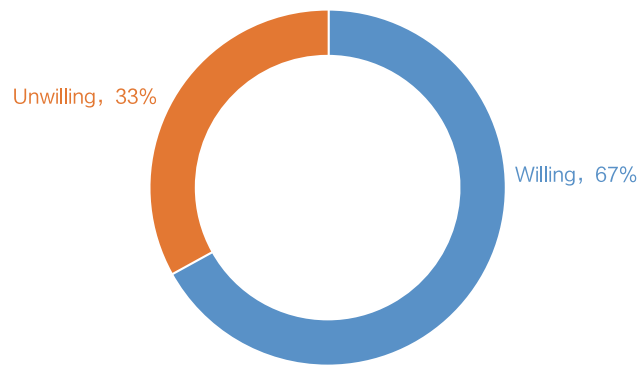


Fig 25 Attitude of Corporate Employees towards Seeking External Support to Settle Labor Dispute

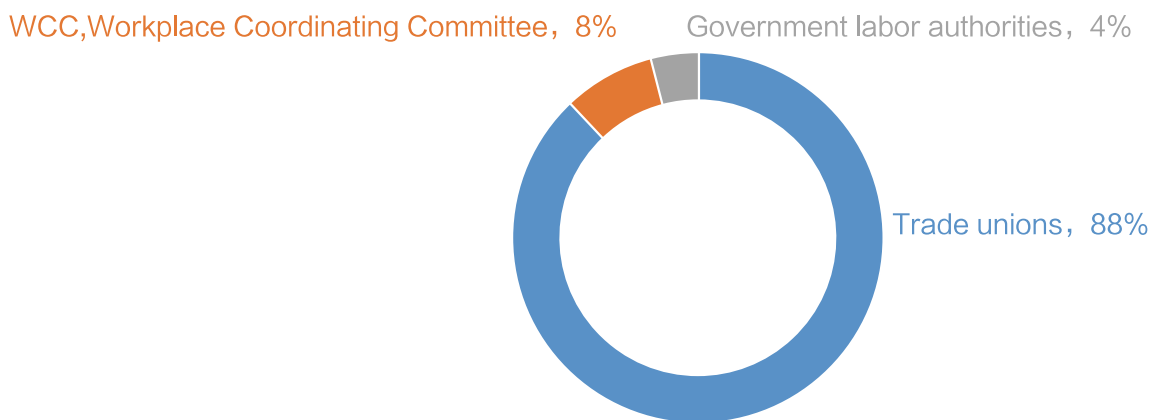


Fig 26 Attitude of Corporate Employees towards Different Organizations/Institutions' Help to Settle Labor Dispute

Objectively, the continuous growth of trade union forces in the two countries has improved industrial relations, and has also boosted the confidence of foreign buyers in sourcing from the country. However, enterprises have also told us that the initiators of many strikes are usually not their employees, but full-time trade union workers. These people do not know actual conditions of the factories, and may misunderstand employers during communication. For this reason, they cannot play their due role in the settlement of disputes, and may even make things worse.



Case: Role of the CTUM in Settling Labor Dispute

More than 2,000 employer and labor organizations have been established after the adoption of the Labor Organization Law in 2011. In July 2015, the Confederation of Trade Unions of Myanmar (CTUM), the first national labor organization in Myanmar, was established. As the largest of its kind in Myanmar, the CTUM is dedicated to safeguarding the rights and interests of the labor force, and improving industrial relations. Until October 2016, the CTUM had under its flag a total of 8 industrial trade unions and 783 enterprise trade unions with some 70,000 members.

We visited a CTUM training center in the suburbs of Yangon, where a grassroots trade union leader received us. The CTUM maintains close contact with finished apparel buyers, according to this official. For example, H&M gives a list of its Myanmar partners to the CTUM. If any dispute occurs between enterprises and workers, the CTUM will step in. If workers turn to the CTUM to help settle disputes with their employer, the CTUM will intervene in the matter. In the opinion of the trade union leader, the CTUM acts as a representative for workers, and will thus convey their hopes and requirements to their employer, in order to settle labor disputes that should not happen, and avoid the occurrence of collective action. She notes that foreign-funded companies, including Chinese-funded enterprises, usually lack communication with employees, which leads to the escalation of small issues.

The trade union leader now works at a South Korean plant but can give freely of her time, including for trade union activities (such as receiving us). She says that her work at the trade union is not paid. The other two staff members are full-time workers at the trade union. It is reported that Hangzhou Hundred-Tex Garment Company was ransacked. The attack on the factory was led by a CTUM member who claimed to have been unfairly treated. The situation turned violent.

In the foreseeable future, trade unions will play a more important role in such labor disputes. Chinese investors should pay attention to this.

Generally, enterprises strictly abide by labor standards, and thus create a sound working environment. From the returned Burmese questionnaires, employees are satisfied with current working environment on the whole. In detail, 39.8% of the respondents feel satisfied, 51.5% feel basically satisfied and about 9% feel dissatisfied (see Fig 27).

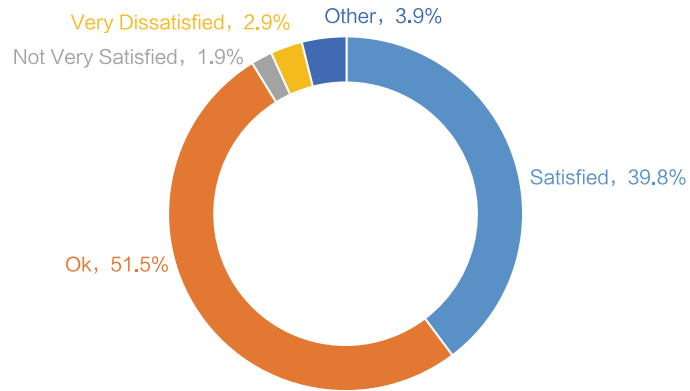


Fig 27 Corporate Employees' Satisfaction with Working Environment

A comparative analysis of the various groups shows that male employees have a higher satisfaction (69.2%, which is higher than 35.6% of female employees); the younger, the shorter the tenure, and the lower the position of employees, the higher their dissatisfaction will be; the dissatisfaction of local employees in Yangon is higher than those from other provinces; the higher the educational level, the higher the dissatisfaction. 6%, 5.2%, and 7.1% of high school students, university students, and graduates are not very satisfied or very dissatisfied, but no workers with primary school or junior school diplomas are dissatisfied. (See Appendix 2: Figure 2)

For work-related dissatisfaction, ideas, or suggestions, they mainly talk with their colleagues (38.5%). The complaint box and short message complaint are a good method as well (22.1%), and 10.6%, 6.7% and 10.6% of the workers will directly complain to basic leaders, intermediate leaders and the boss (see Fig 28).

Moreover, a talk with workmates is the primary choice for all employees, regardless of gender, age, educational level, position, and income. Therefore, how managers can strengthen communication with employees, understand their thoughts, and address their dissatisfaction is an important issue for Chinese-funded enterprises.

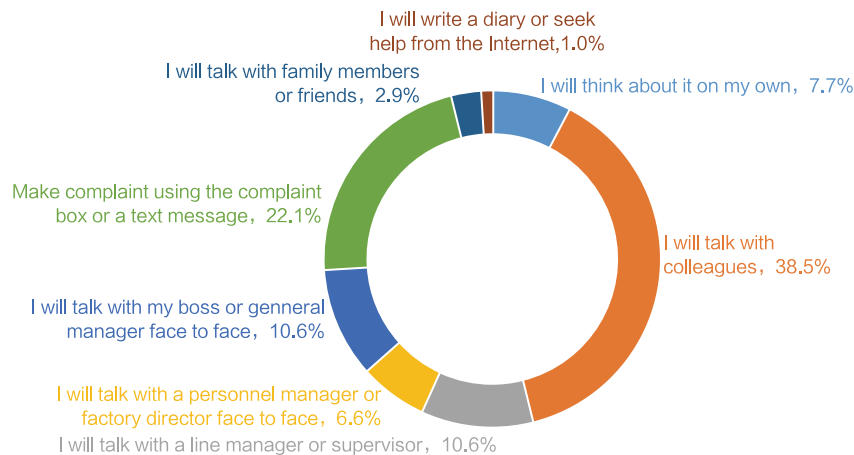


Fig 28 Listeners of Sentiments and Ideas of Employees in Work

ii. Internal Management and External Coordination of Enterprises

For the performance of corporate social responsibilities, the most important things are respect for human rights, care for health, environmental protection, assurance of product safety, legitimate and compliant tax payment, and other factors of relevance to the core business of the enterprise. At the same time, an enterprise does not exist alone, but is part of a supply and purchasing chain, where the links will influence one another in production and operation, as well as in the performance of corporate social responsibilities. Therefore, an enterprise must perform corporate social responsibility in both internal and external dimensions.

1. Refine Internal Management and Strategy

With an emphasis on labor rights and interests, and corporate social responsibility, textile and apparel enterprises in Bangladesh and Myanmar have seen a very significant increase in their sense of social responsibility. Enterprises establish a set of internal organizing systems and regulations, as well as the concrete measures we have mentioned earlier.

Based on the questionnaire and interview with enterprises, we have known that all enterprises have established the special CSR department. Some have set up an independent department (42.9%) and some have assigned the functional department to do the work (57.1%) (See Fig 29).

In addition, all the enterprises have a code of conduct or related rules and regulations for social responsibility. However, most of enterprises have existed for a short time after establishment. Therefore, only a few of enterprises have disclose their CSR reports (2 out of 7, 28.6%) (See Fig 30).

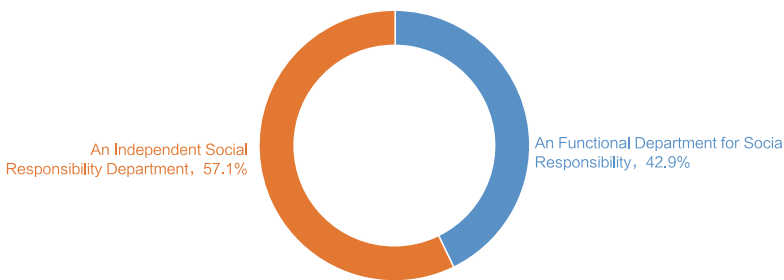


Fig 29 Establishment of CSR Management Department at Enterprises

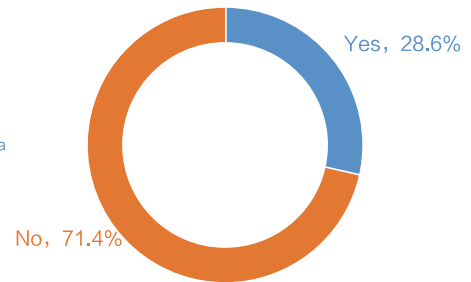


Fig 30 Enterprises' Disclosure of CSR Reports

2. Communication with stakeholders

More importantly, these companies recognize the need to communicate with stakeholders. Through regular communication with stakeholders, these companies have gradually established a stakeholder participation mechanism, and continue to identify key areas for improvement pertaining to CSR.

The surveyed questionnaire results show that most of enterprises have drafted to or plan to develop policies and commitments to communicate with stakeholders. Of the 7 enterprises, 3 have started implementation (42.9%), 2 are making the plan (28.6%) and 2 have no corresponding plan (one of them just started production at the beginning of this year (see Fig 31).

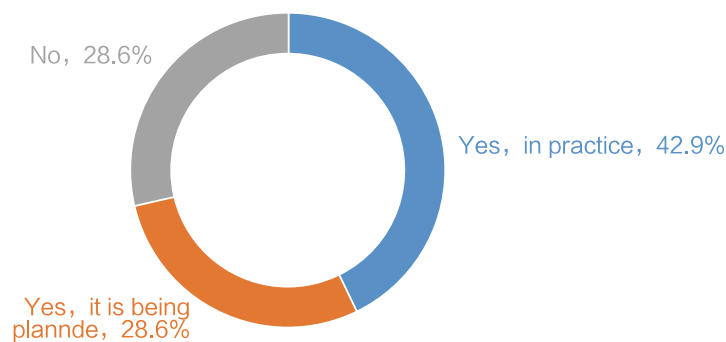


Fig 31 Enterprises' Communication with Stakeholders

Among stakeholders, employees (5, 71.4%) and clients (4, 57.1%) are what enterprises care about. Investors, trade unions and suppliers (3, 42.8%) rank after that and then NGOs and local employers' associations (2, 28.5%) (see Fig 32).

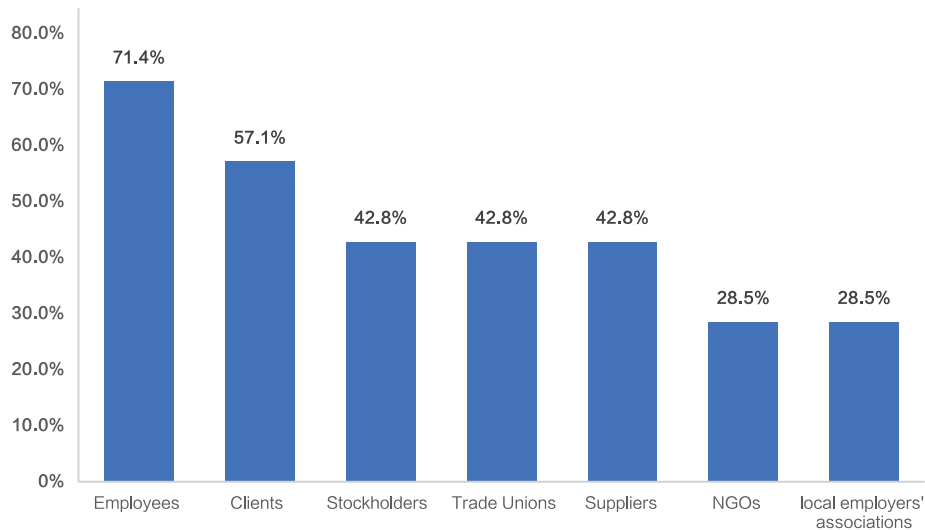


Fig 32 Enterprises' Communication with Stakeholders

Among communicated issues, employee rights (6, 85.7%), safety, occupational health (5, 71.4%), and environmental protection (5, 71.4%) are the most important. Following them are the supply chain (4, 57.1%) and the CSR strategy & report (4, 57.1%) and product liability (4, 57.1%). Besides, the issues also include community cooperation and philanthropy (2, 28.5%) and relations with local chambers of commerce (2, 28.5%) (see Fig 33).

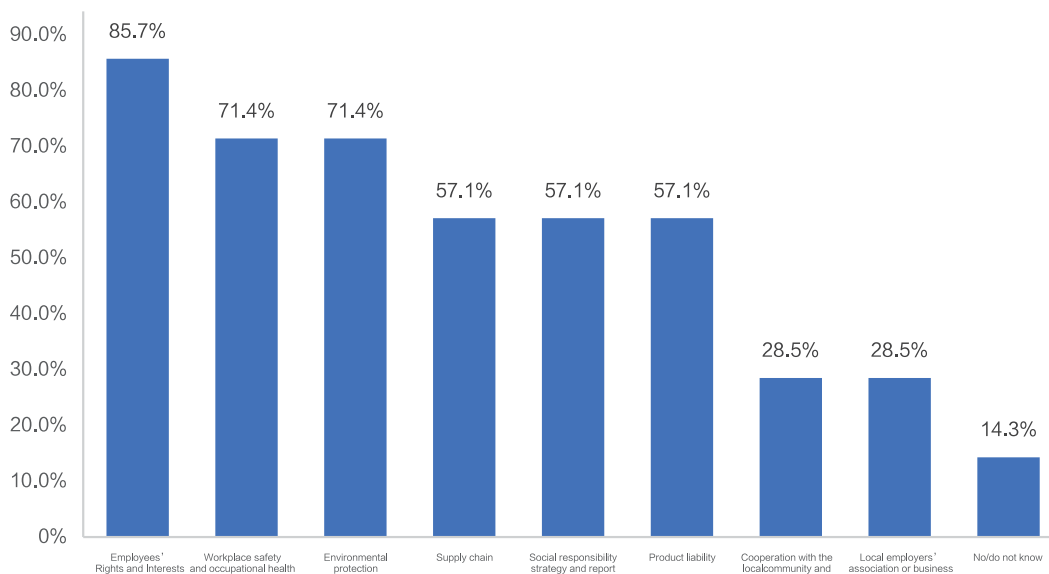


Fig 33 Analysis of Affairs for Enterprises' Communication with Stakeholders

Regarding the concerns of stakeholders, enterprises normally give official reply (5, 71.4%) or convene public meetings (4, 57.1%) (see Fig 34).

Enterprises have realized maintaining and satisfying appeals of stakeholders is an important way to assure long-term survival and continuous prosperity of enterprises. Through regular communication, special communication and other forms, enterprises know expectations of stakeholders, give feedbacks in time and continuously improve the work to lay a foundation for benign interaction among stakeholders. According to our survey, if an enterprise attaches importance to corporate social responsibility and is good at communication with stakeholders, they will suffer a smaller external pressure, harvest higher loyalty of employees, encounter a small impact from strikes and collective events and have stronger capacity to resist the external risk.

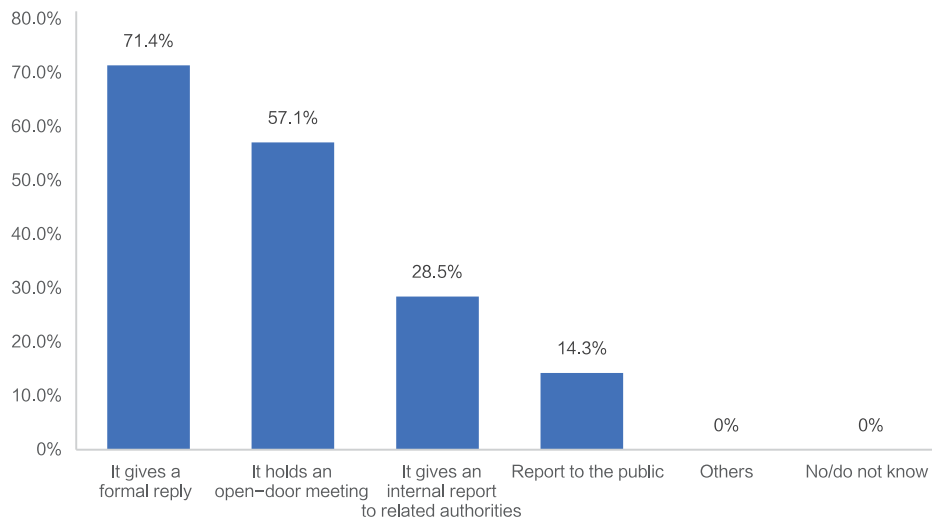


Fig 34 Enterprises' Feedbacks about Concerns of Stakeholders

Here, we would like to remind Chinese-funded enterprises to notice another issue –public charity and community participation. We have found from our questionnaire that enterprises are less aware of public charity and community participation. Over last three years, only 4 out of the seven enterprises have made charitable investments, and even fewer, only one, has systematically assessed the social influence of corporate charity activities. Public welfare and charitable donation are mainly for employees (6, 85.7%), followed by education (3, 42.8%), humanity and disaster rescue (3, 42.8%). They still need to increase the investment in community development (2, 28.5%), culture, sport and art (2, 28.5%), medical service (1, 14.3%) and environment (1, 14.3%) (see Fig 35).

Many Chinese-funded enterprises have not realized the positive role of philanthropy, charity, and promotion of local community development in establishing their corporate image and building their brand. In particular, positive word of mouth derived from “doing good” will be the most valuable asset for an enterprise in the all-new environment of a foreign country.

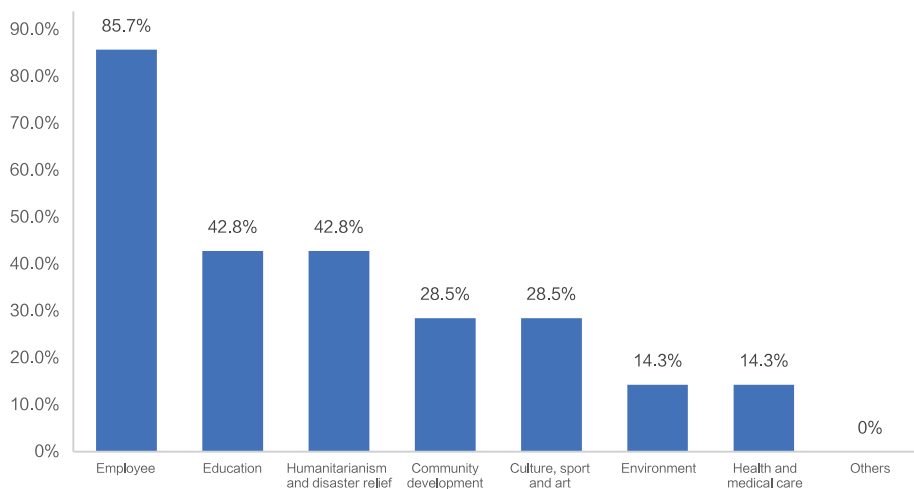


Fig 35 Major Areas of Enterprises' Participation in Philanthropy and Charity

3. Coordination Between Enterprises and Downstream Purchasers and Upstream Suppliers

Buyers also shoulder a significant responsibility in the performance of corporate social responsibility. The OECD defines the relation between buyers and suppliers as “investment” in the OECD Guidelines for Multinational Enterprises. That is to say, a buyer can exert a substantial influence on a supplier, thereby establishing a relationship, like an investment. In such a relationship, a supplier will usually do what the buyer requires. For this reason, the buyer will play a dominant role in the CSR conduct of the entire supply chain.

Major retailers and brands from developed countries in Europe and the United States have decades of procurement experience in Bangladesh and Myanmar, and have been working to improve labor conditions there. However, the collapse in Bangladesh shows that labor-related globalization risks will always exist; retailers and suppliers must identify operational and supply chain risks, and must improve their responsiveness to the supply chain and threats to their reputation.

After the collapse, more retailers began to strike a balance between cost and safety. In 2013, nearly 200 garment companies (mostly European companies such as H&M, Primark, and Zara’s parent company, Inditex) signed a five-year, legally binding Accord on Fire and Building Safety in Bangladesh. The agreement includes periodic factory inspections, improvement of action and training programs, and supervision by NGO observers. The agreement stipulates that companies involved in factory inspections are committed to paying for necessary refurbishments and renovations. These brands also said that they would not trust manufacturers that did not meet safety standards for OEM production. In the same year, brands such as GAP, Target, and Walmart set up the Alliance for Bangladeshi Worker Safety, which promised to set similar terms and respect workers’ rights (but without union participation or third party supervision). Meanwhile, a clothing industry organization announced a list of more than 1,500 factories commissioned by its member companies in Bangladesh. Representatives of the organization include H&M, Inditex, and Benetton SpA, Italy. H&M also conducted public opinion surveys among workers and managers at the factories in Bangladesh to determine the required increase in salary.

In Myanmar, many purchasers only cooperate with well-developed foreign-funded factories that abide by the code of conduct for suppliers. In particular, when it comes to the strict prohibition of child labor, these buyers normally require a minimum age of 16-18, higher than the minimum government stipulations.

From our survey, we can see that: 1) More than 50% of brands and buyers (4, 57.1%) incorporate relevant social responsibility requirements when they sign a procurement contract with a garment enterprise (see Fig 36);

2) These brands and buyers have helped enterprises meet social responsibility requirements through the development of supplier action norms (6,87.5%) and third-party audits (6,87.5%). Moreover, they also help enterprises perform self-assessment (4, 57.1%) or training and recommend methods (3, 42.8%) (see Fig 37).

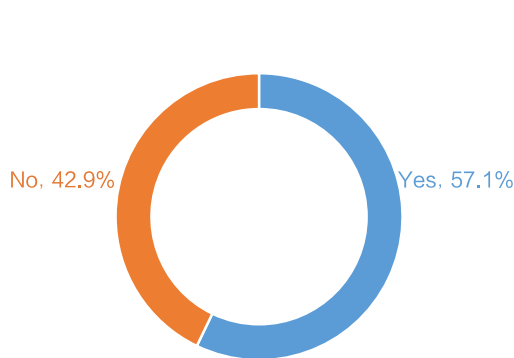


Fig 36 Brands/Buyer’s Inclusion of CSR Requirements in the Procurement Contract

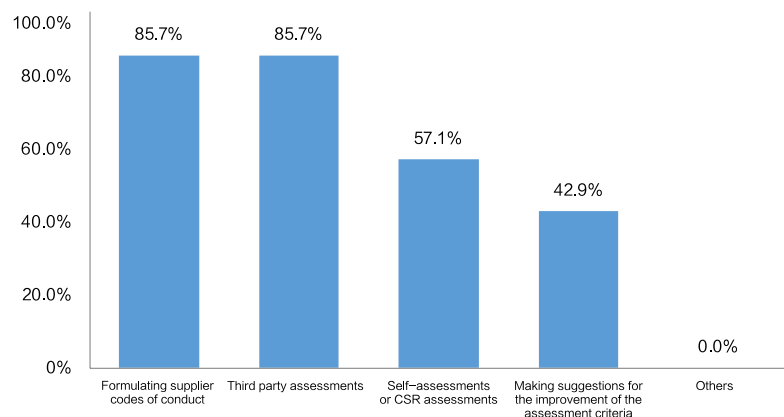


Fig 37 Brands/Buyer’s Methods to Help Enterprises Meet CSR Requirements

3) The ethical purchasing policy or supplier code of conduct concluded by a foreign brand and an enterprise contains the following contents: Child labor, forced labor, freedom of association, collective bargaining, anti-discrimination, working hour, contract signing, wages and benefits, and occupational safety (see Fig 38);

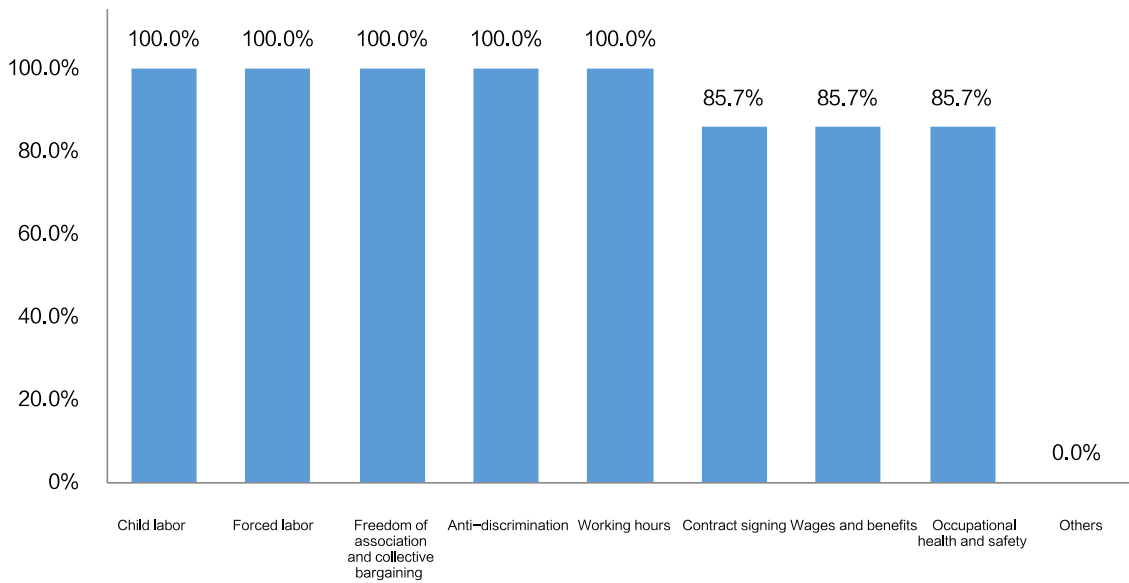


Fig 38 Major contents contained in ethical purchasing policy or supplier code of conduct concluded by a foreign brand and an enterprise

4) At the same time, brands carry out training on employee rights for workers together with the enterprises. In detail, the projects jointly implemented by buyers and enterprises in 2016 mainly cover staff's right and education (6, 85.7%), CSR report (3, 42.8%) and development of innovative sustainable products (2, 28.5%) but don't touch upon energy conservation and emission reduction (see Fig 39).

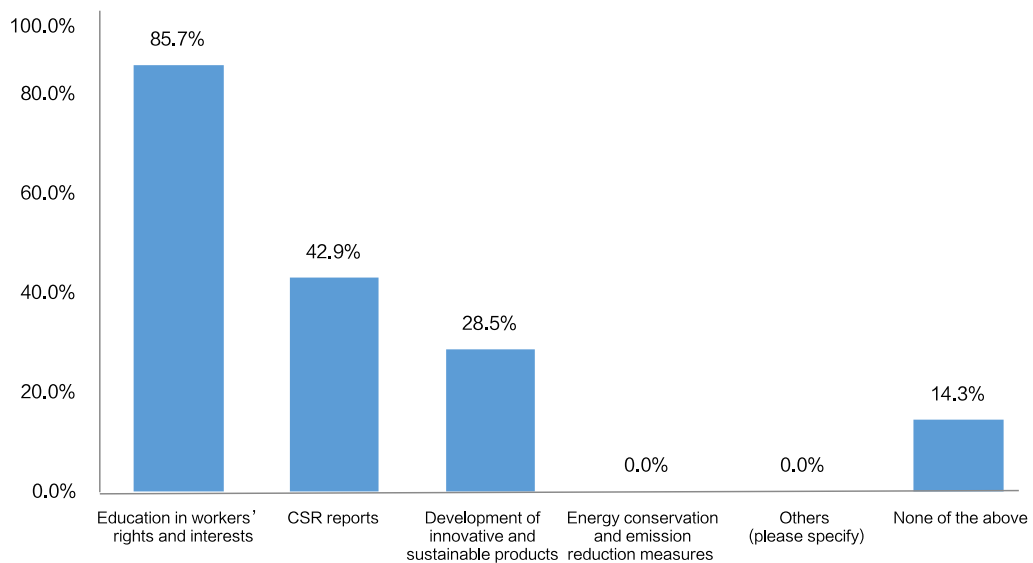


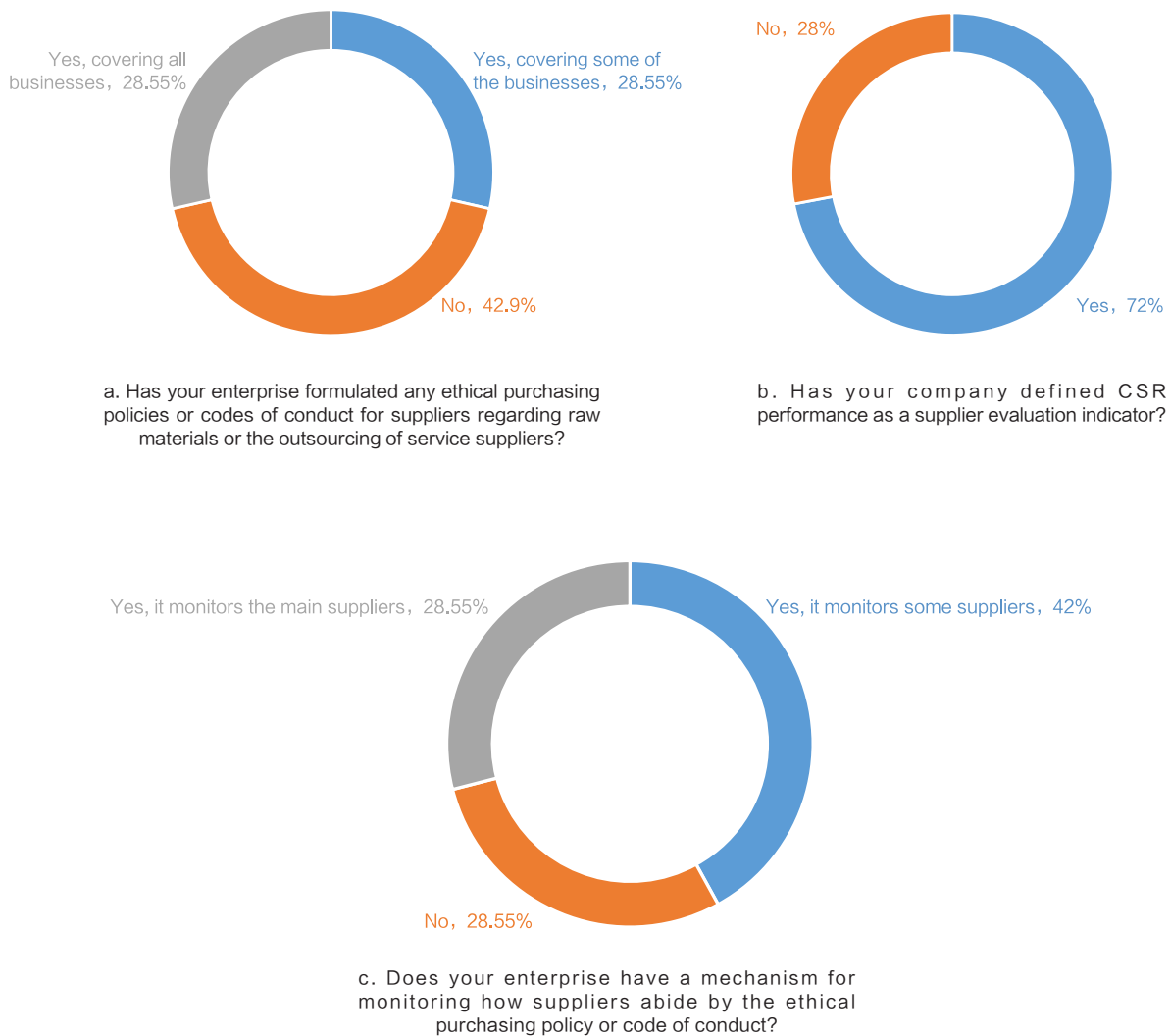
Fig 39 Major Projects Jointly Implemented by Brands/Buyers with Enterprises

Therefore, some enterprises believe that these training schemes are mainly intended to respond to pressure from society and public sentiment, but have not resolved what enterprises really need. Some training schemes are organized by third-party review institutions. Enterprises are not interested in these schemes but will still attend them, out of consideration for relations with these institutions and brands. Of course, these measures by buyers/brands have objectively contributed to the improvement of employees' rights and interests.

Moreover, enterprises will consciously sign codes of conduct with the suppliers of raw materials and outsourcing businesses

to reach the requirements of the brand. However, not all enterprises have fulfilled CSR in purchasing and outsourcing, according to our survey results: Only 5 out of the 7 enterprises have made ethical purchasing policies regarding raw materials or the outsourcing of service suppliers. Although some enterprises have this policy, it does not cover all businesses (excluding 2); Moreover, not all enterprises have defined CSR performance as an indicator for their raw material suppliers (2 have not); Accordingly, enterprises fail to supervise all aspects in ethical supplier purchase. (2 have no such mechanism and 2 only monitor major suppliers) (see Fig 40). It could be inferred that Chinese enterprises need to learn from Western brands in covering corporate social responsibility in the entire supply chain.

Fig 40 Enterprises' Cooperation in Outsourcing Suppliers in CSR Area



iii. Participation of International Organizations and NGOs

Internationally, some organizations have developed a series of global standards, agreements, and guidelines aimed at improving labor conditions in developing countries. The most important are a set of international labor standards established by the International Labour Organization (ILO). The eight “core” Conventions of the ILO are the

- (Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87))
- (Right to Organise and Collective Bargaining Convention, 1949 (No. 98))
- (Forced Labour Convention, 1930 (No. 29))
- (Abolition of Forced Labour Convention, 1957 (No. 105))
- (Minimum Age Convention, 1973 (No. 138))
- (Worst Forms of Child Labour Convention, 1999 (No. 182))
- Equal Remuneration Convention, 1951 (No. 100))
- (Discrimination (Employment and Occupation) Convention, 1958 (No. 111))

These conventions are intended to ensure that all workers can obtain the chance of decent and efficient work under free, equal, safe, and dignified conditions. Bangladesh has joined all of the conventions except for the Minimum Age Convention, but has submitted this convention for domestic approval. Myanmar has joined only the Freedom of Association and Protection of the Right to Organise Convention, the Forced Labour Convention, and the Worst Forms of Child Labor Convention, but the other five conventions are already under approval.

Bangladesh: Since the collapse in Bangladesh, the ILO has played an active role in the establishment of a labor security system in the country's apparel industry. In June 2013, the ILO, the government of Bangladesh, employers, and workers jointly submitted a labor reform plan to parliament. It contained laws and measures relating to the basic rights of free association, strike action, and collective bargaining as well as the improvement of occupational health and safety. In October 2013, the ILO initiated a special plan with the government of Bangladesh to improve working conditions of the country's apparel industry. The plan will last three and a half years. It will focus on improving safety and strengthening workers' rights in the country's apparel plants, and will perform a safety inspection of over 1,000 of them. In October 2016, the ILO published another plan named "Essentials of Occupational Health and Safety", which is expected to benefit about 800,000 workers in the apparel industry. The plan will be implemented by the Bangladesh Employers Federation (BEF), supported by the ILO, and financially aided by Britain, the Netherlands, and Canada. The EOSH will cover seven preferential areas, namely fire safety, electric safety, walking, anti-slide, good order, hazardous substances, ergonomics, personal protective devices, and first aid in the workplace. The plan will also involve the establishment of 110 functional safety committees at apparel factories in Bangladesh. At present, the ILO is mainly dedicated to the following reforms: comprehensively revising the export processing zone law and the labor act draft to comply with the labor conventions of the United Nations, establish trade unions, and ensure free activities for trade unions.

In Bangladesh, many non-governmental organizations have also advocated for the establishment of new standards. For example, the aforementioned Accord on Fire and Building Safety in Bangladesh and the Alliance for Bangladeshi Worker Safety were achieved with the participation of non-governmental organizations. Fairtrade International (FLO) launched new rules for the textile industry, aiming to improve the work environment by extending the concept of fair trade to the entire textile supply chain. The new rules were developed based on the original Hired Labor Standard, mainly targeting the work environment, minimum wage, and labor rights; they were the first rules to clearly set the time when the minimum wage should be paid. Manufacturers must also adjust wages in accordance with contracts in a timely manner. The purpose of these new rules is to protect factory employees and provide them with the ability to consult independently with employers. The new rules will be implemented by FLOCERT, an independent auditor from Fairtrade International; factory workers will select their own representatives to participate in the audit process.

The establishment of these rules and more rigorous supervision has led to significant changes in the apparel industry of Bangladesh: Since the Rana Plaza collapse, Bangladesh has closed at least 39 factories with dangerous building structures; the garment industry trade union has grown more than threefold, and the Government's labor inspector contingent has grown by a third. Of course, there has been a lot of controversy over the third-party audit involved in the standards. Some people believe that factories hide the most serious violations of labor rights, and coach workers to give positive answers. Therefore, such a review would be nothing but a waste of time. The question is how to introduce a more standardized and effective audit process that is able to avoid artificial operations, in order to implement these standards.

Myanmar: In 2007, the ILO and the Burmese government signed a memorandum of understanding to combat child labor. In December 2013, the Burmese government signed the Child Labor Convention and the Forced Labor Convention, and joined with the ILO to eradicate the use of child labor. In 2016, the Deputy Director of the ILO discussed how to revise the Labor Law with labor representatives, congress members, related government agencies, nongovernmental organizations, and civil organizations of Myanmar in order to forbid forced labor and establish a safe environment suitable for work in the country. It also advises on the provision of social security for the labor force of apparel plants. In May 2016, the Business for Social Responsibility (BSR) published a report titled Child Labour in Myanmar's Garment Sector: Challenges and Recommendations. In the report, the organization gave suggestions for handling the issue of child labor to help enterprises

wishing to expand into Myanmar, particularly in the garment field, to avoid the risk of child labor.

Organizations and programs such as the GIZ, the ILO, the BSR, SMART, and CARE have also joined forces with the MGMA and brands to realize thorough social compliance and social dialogue at various levels in the Burmese textile and garment sector. The measures include establishing a labor market strategy and a social dialogue mechanism in the industry; establishing explicit ethnic standards for the industry, and educating factories to implement these standards; eliminating child labor; assisting in the formation of good industrial relations in the industry; and enhancing awareness of environmental protection in the industry. These jobs have effectively propelled the apparel industry of Myanmar to perform corporate social responsibilities.

Certainly, some enterprises, governments, and social organizations in Bangladesh and Myanmar have different opinions on the work of these international organizations and NGOs. For example, these organizations are particularly concerned about the increase in wages and the role of trade unions. Public opinions argue that these organizations will remove the low cost advantage of these countries, thereby causing them to become less competitive in the global market, by requiring suppliers from the developing countries to increase wages when conditions are not yet mature. On the issue of trades unions, although the Government of Bangladesh has eased standards for their establishment, there is still a large gap with the ILO's standards. The opposition between the two sides on this issue is difficult to bridge in the short term. The voices of opposition indicate that there is no connection between unionization and security. They give an example: Trade union coverage in the US is very low, but fires rarely occur in its industrial production. Vietnam and some countries do not have trade unions in the true sense, but very few fires occur in their apparel industries. Therefore, they strongly resist international organizations' appeal in relation to trade unions.

Of course, international organizations and NGOs are playing a buffer role between the public and the state. They are dedicated to providing workers with training and legal aid in employee rights, and are trying to build a platform for stakeholders to exchange ideas, to establish dialogue and trust mechanisms, and to maximize the avoidance of contradictions and negative incidents. The Foreign Trade Association (FTA) and the Ethical Trading Initiative (ETI) of Bangladesh we have visited in Bangladesh and the ILO and CCRCSR we have visited in Myanmar have all emphasized the importance of establishing good interaction between governments and trades unions and between businesses and employees. They have done a lot of work in these areas.

iv. Environmental Protection Requirements

Bangladesh: Bangladesh is one of the countries most affected by the environment, and pays a lot of attention to environmental protection. Bangladesh has sound environmental laws and regulations, including detailed provisions on the establishment of industrial enterprises and the implementation of projects. It undertakes classification supervision of enterprises by industry and by the impact of the environment, and issues various levels of EIA certification. Detailed provisions are made on procedures such as investigation and evidence collection, discipline, and appeal. However, due to man-made factors, the efficiency of law enforcement is not high.

According to the Environmental Protection Law of 1995 and the Environmental Protection Regulations of 1997 of Bangladesh, all industrial projects must obtain an Environmental Cleanliness Certificate approved and issued by the Bureau of Environmental Protection before initiation and production. At the end of 2014, to strengthen the implementation of the Environmental Protection Law (Amendment) of Bangladesh, the Office of the Prime Minister decided to impose a mandatory environmental assessment and testing system on all future investment projects implemented in Bangladesh. An Environmental Impact Assessment (EIA) and an Initial Environmental Examination (IEE) must be carried out before the approval of an investment project, to determine the extent of the project's environmental impact. The system also requires the owners to effectively implement requirements in the environmental management plan during their investment process.

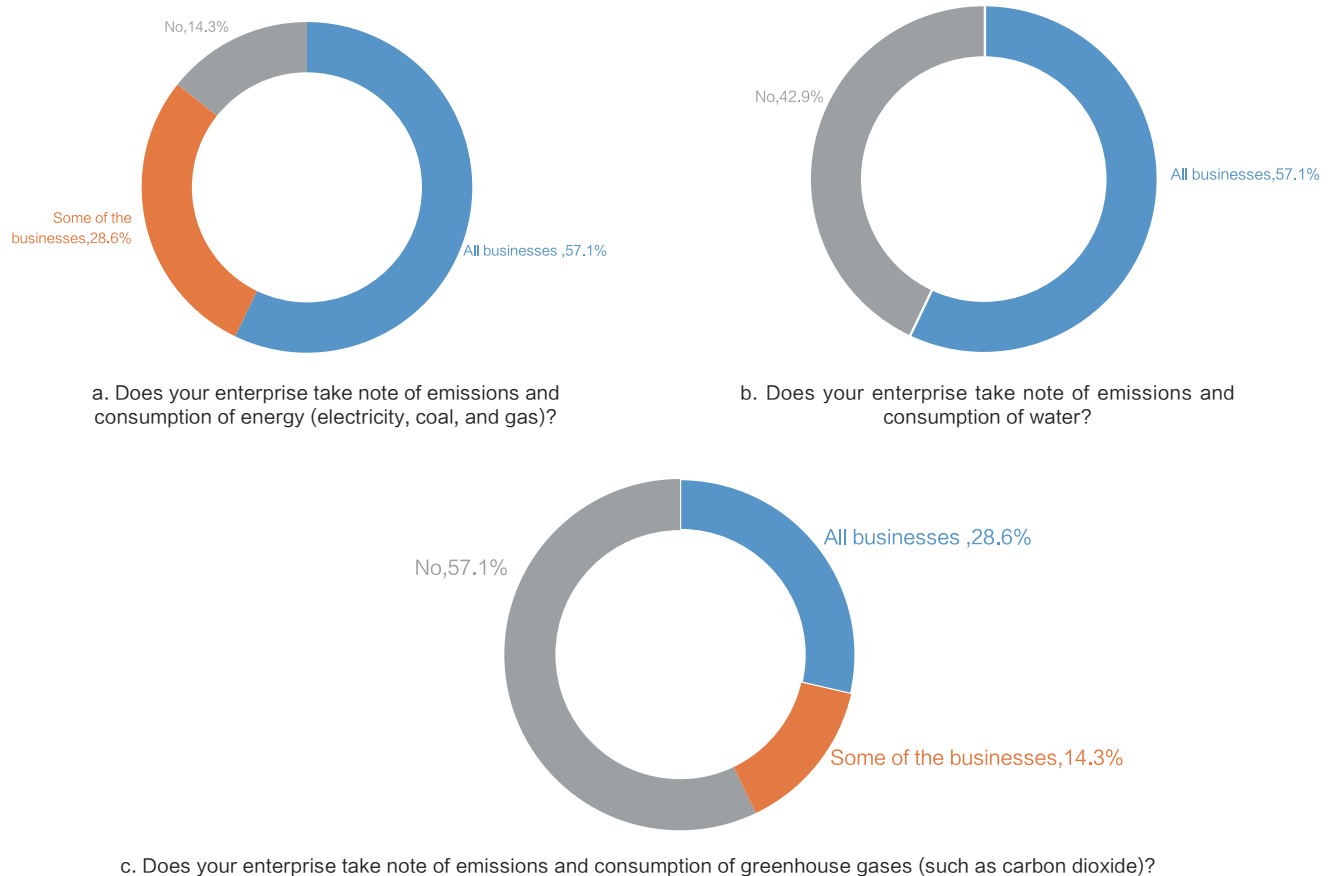
Myanmar: Currently, foreign-funded enterprises making investments in Myanmar must submit an Environmental Impact Assessment (EIA) Report and a Migrant Relocation Plan to the Ministry of Environmental Protection for approval. The enterprise must obtain approval before applying for registration to the Investment Management Committee. Before 2012,

foreign-funded investment projects only needed to seek approval from the competent authorities, and did not have to submit an EIA report to the Ministry of Environmental Protection for approval. Now, the new government requires foreign-funded projects to meet environmental requirements. The enacted Environmental Protection Law poses higher requirements on Chinese investments in Myanmar. However, as the Myanmar government has no EIA experience, the EIA contents, fees, and schedule are not specified. Generally, EIA takes six months or longer. Therefore, enterprises need to work with the environmental authority and pass the approval procedure in line with the requirements.

Generally, Myanmar's environmental standards are not clear, and enforcement is not strict as in China. With increasing environmental awareness in Myanmar, investors (particularly in dyeing and finishing) must pay attention to sewage disposal. Otherwise, they may face trouble. The Chinese-funded enterprises we visited all attach high importance to environmental protection, and deploy advanced sewage treatment facilities. Some companies have performed well in the treatment and reuse of sewage, the effective use of solar energy, and environmentally-friendly power generation. For example, Company F (specializing in dyeing) invested eight million yuan in sewage treatment facilities before launching its project, in order to meet environmental regulations.

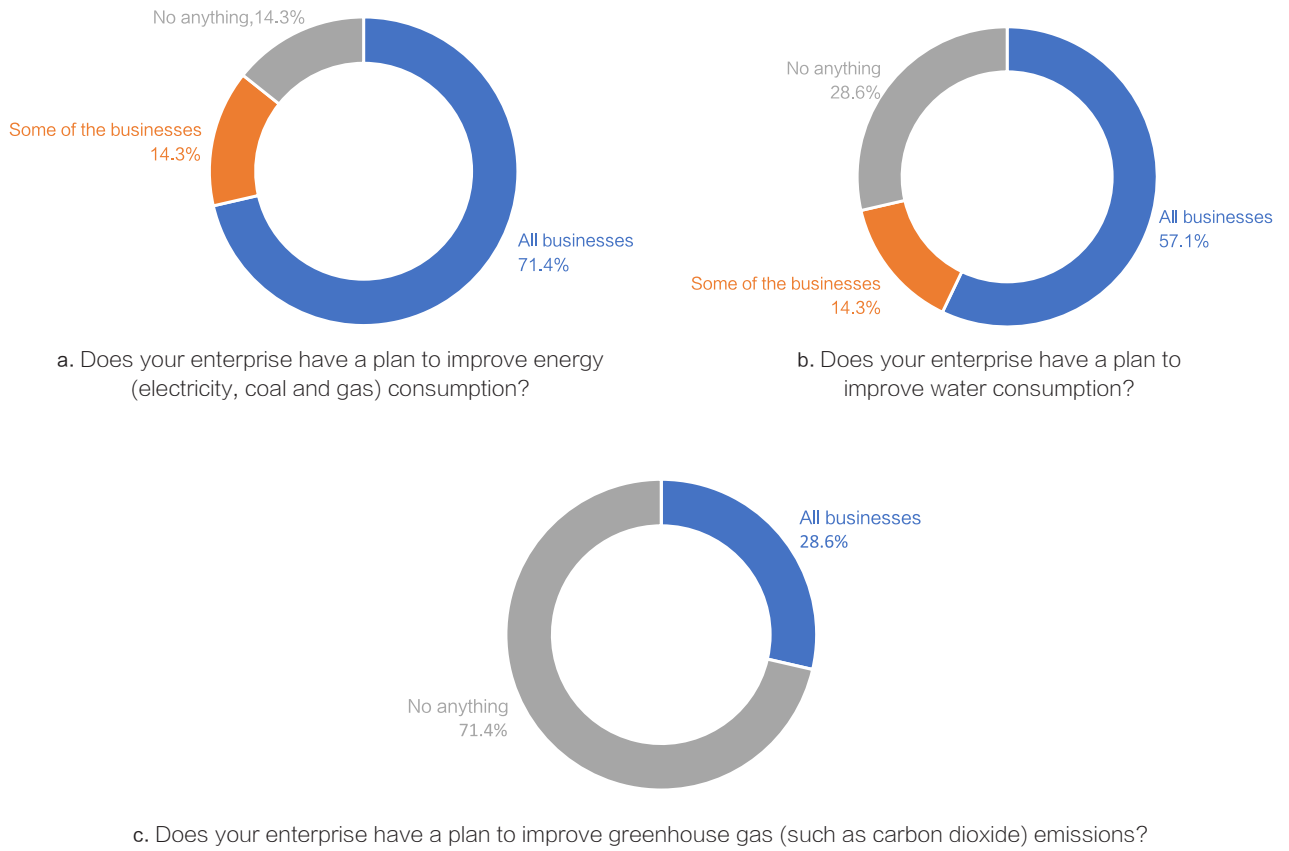
From the returned enterprise questionnaires, companies have set environmental protection requirements for the production process, and environmental protection and energy saving policies basically cover their business services. In particular, enterprises monitor energy consumption (6, 85.7%) but perform weaker monitoring over water (4, 57.1%) and greenhouse gas emission (3, 42.9%) (see Fig 41);

Fig 41 Enterprises' Monitoring over Resource and Energy Consumption



Accordingly, the improvement plans for these projects are relatively sound in respect of energy (6) and water (5) but should still strengthen monitoring over greenhouse gas emissions (2, 28.5%) (see Fig 42);

Fig 42 Enterprises' Improvement Plan for Resource and Energy Consumption



The enterprises have basically taken relevant measures in waste classification and recovery (6,85.7%) but still have the space to improve waste recycling (2,28.5%) (see Fig 43);

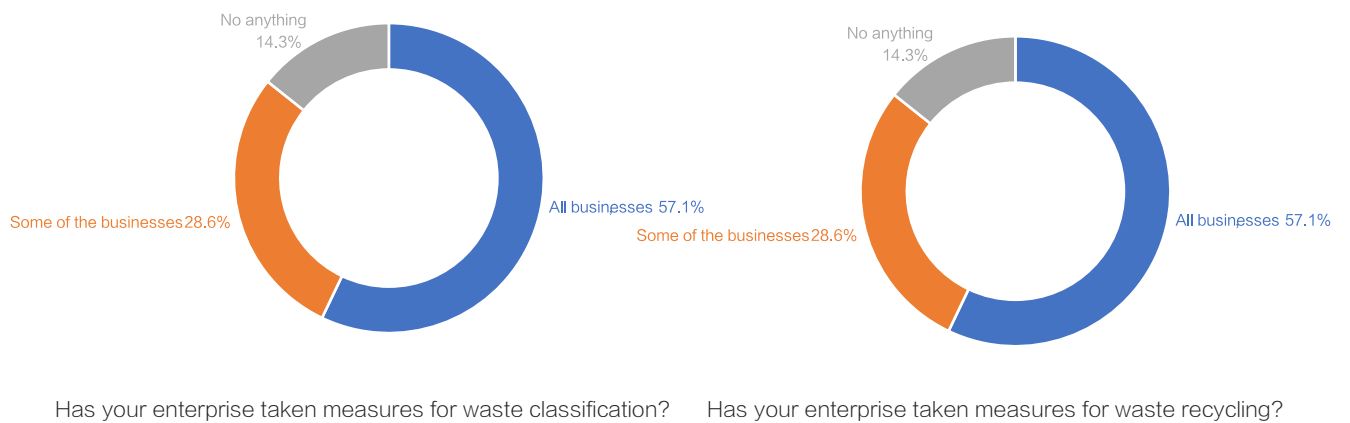


Fig 43 Waste Management Measures of Enterprises

As to environmental protection, the enterprises say they have not used hazardous and toxic substances in excess of limits (7) but still have a space to improve other aspects such as emission up to limit, waste recovery and use of renewable energies and materials (see Fig 44).

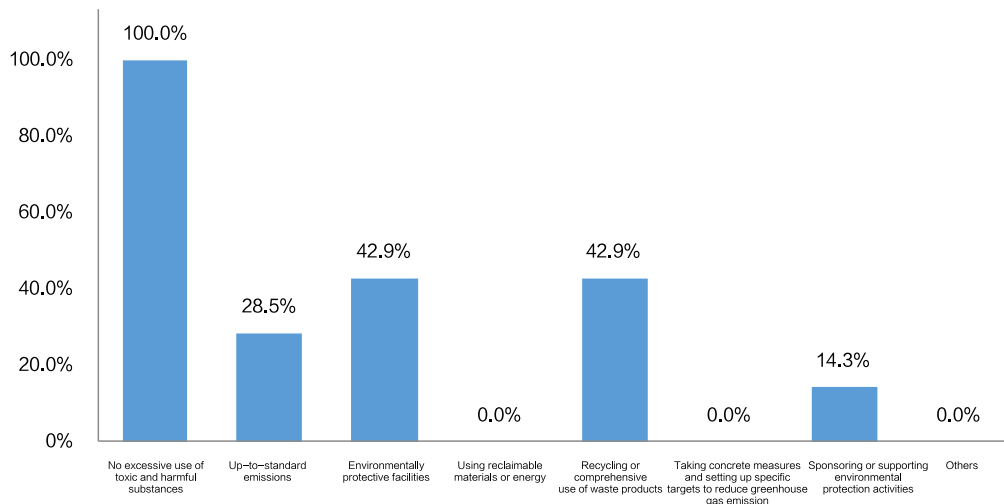


Fig 44 Waste Management Measures of Enterprises

In addition, from the returned questionnaires from Burmese employees, we can see that employees know environmental protection and energy saving policies of their enterprises to some extent, and 72.8% of the employees know these things a little or well. However, 27.2% of the employees know nothing in this respect (see Fig 45). Therefore, employers need to strengthen employees' environmental awareness.

Overall, stakeholders in Bangladesh and Myanmar have generally been involved in the implementation of corporate social responsibility, and jointly carry the cause forward. Chinese-funded enterprises' performances are satisfactory in this regard. Some of the organizations and institutions we have visited basically recognize Chinese enterprises for their performance in the two countries, and believe that they can strictly adhere to labor standards and maintain their environmental protection responsibilities, while paying attention to communicating with stakeholders.

Judging from the self-assessment results, the enterprises generally believe Chinese-funded enterprises do a good job (3,42.8%) in the performance of corporate social responsibility or do an average job (2,28.5%) in this regard (one company thinks poor performance, and no enterprises believe the Chinese-funded enterprises have done a very good job in this regard) (see Fig 46).

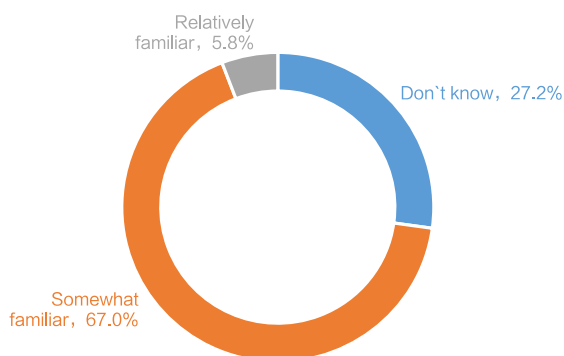


Fig 45 Analysis of Employees' Understanding of Enterprises' Environmental Protection and Energy Saving Measures

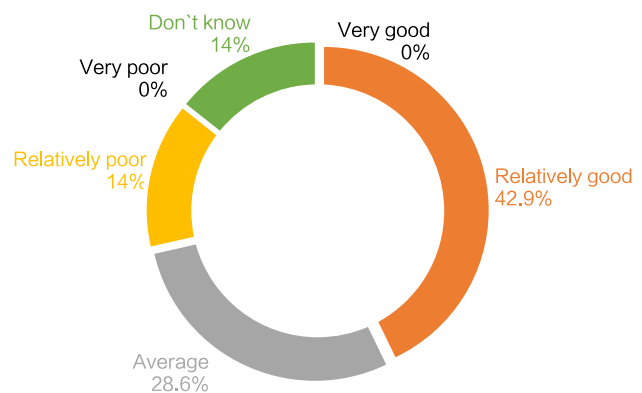


Fig 46 Enterprises' Opinions on CSR Performances of Chinese-funded Enterprises in Their Countries

However, the enterprises generally believe that Chinese-funded enterprises outperform other enterprises in their countries in terms of CSR performance. In detail, two companies give a “much better” feedback and three give a “a little better” feedback (see Fig 47).

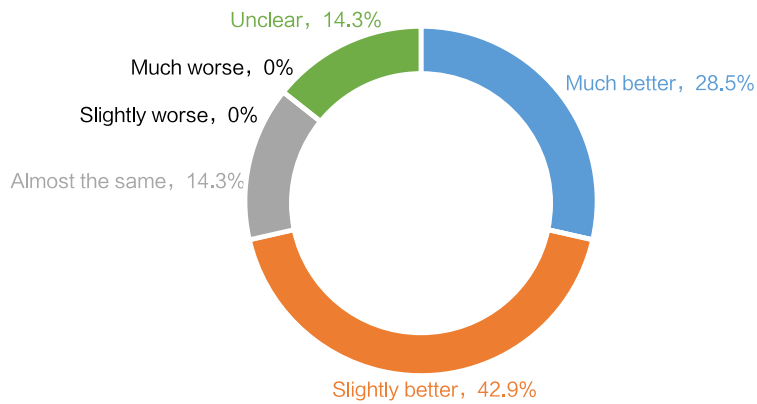


Fig 47 Enterprises’ Opinions on CSR Performances of Chinese-funded Enterprises in Their Countries

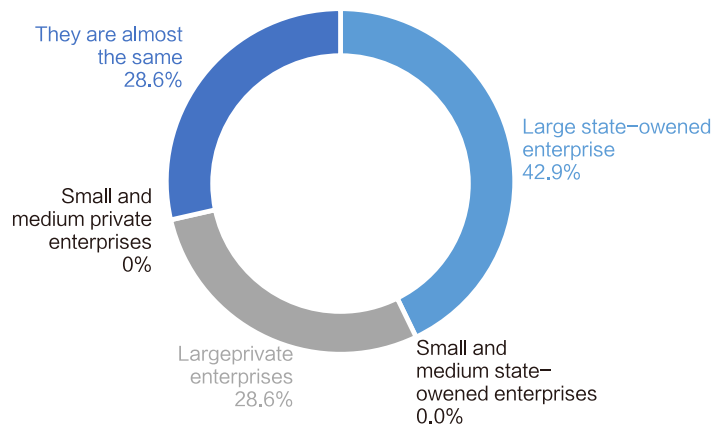


Fig 48 Enterprises’ Opinions on CSR Performances of Chinese-funded Enterprises in Their Countries

In comparison, the respondents think large state-owned enterprises (3, 42.9%) and large private enterprises (2, 28.6%) do a better job to perform corporate social responsibility, and mainly small and medium private enterprises do a poor job (2, 28.6%) (see Fig 48).

In the interview, corporate officers noted that some small and medium Chinese enterprises are near-sighted and too eager to pursue quick returns. They lack awareness of corporate social responsibility, and damage the overall image of Chinese enterprises.

As for challenges in the CSR area, the enterprises think that the major problems are overtime work (4,57.1%) and the handling of industrial relations (3,42.8%), followed by labor protection (2,28.5%) and environmental protection (2,28.5%). The major factors attributable to these challenges include inadequate understanding of local conditions (5,71.4%), Babel Tower (5,71.4%) and cultural conflict (4,57.1%) (See Fig 49). These challenges were named by all of the enterprises. If an enterprise plans to invest overseas, it must acknowledge these challenges and be prepared to face them.

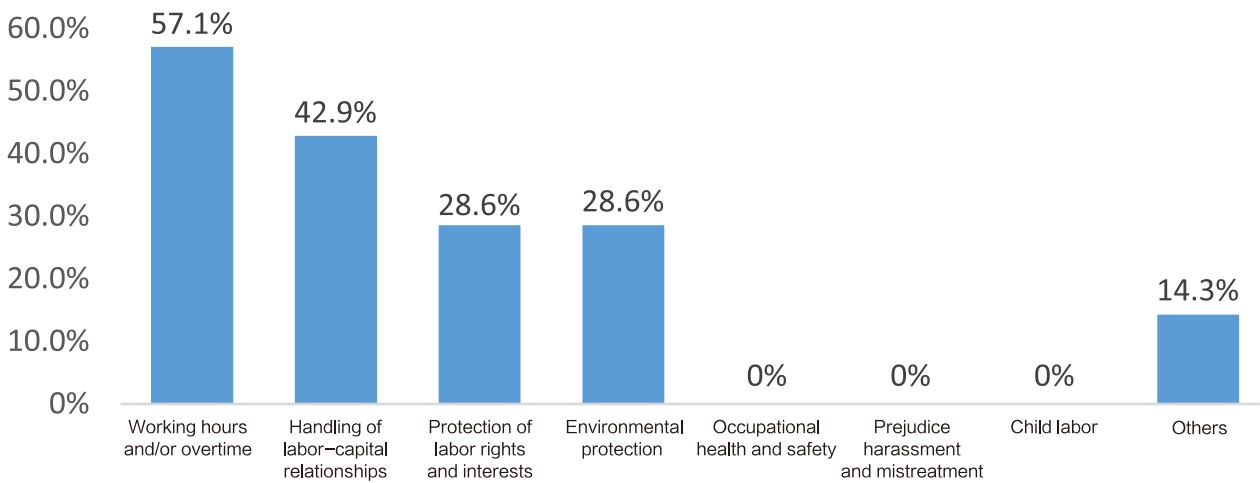
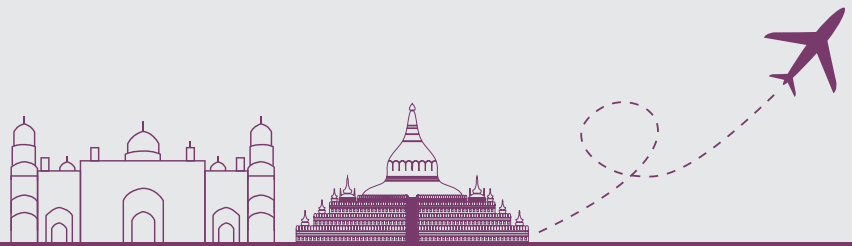


Fig 49 Major Challenges of Enterprises in CSR Management





V. Related Suggestions

i. Overall Suggestions Relating to Investment

Now, with China diminishing its cost advantages and enterprises moving towards the middle and high-end from the low-end, orders are being shifted to other countries. It is inevitable that the global market will reshuffle the division of labor. With the advantages of low labor costs and preferential trade terms, Bangladesh and Myanmar have attracted increasing numbers of Chinese textile and apparel enterprises, and will possibly become important overseas bases for the transfer of the Chinese apparel industry. However, these two countries face uncertainties in aspects such as politics and the economy. If an enterprise transfers capacity to these countries solely because of low labor costs, the transfer will not usually be successful. There are precedents in this regard.

In the industrial transfer, only considering cheap labor is not enough. Instead, enterprises must think about labor costs, efficiency, and various cost factors. Of the Chinese enterprises we visited, some have set up factories in Myanmar on the request of buyers, while some did it as part of their long-term plans. Regardless of the purpose, enterprises clearly know about the Myanmar market, operating costs, and risk control. Although they only “went global” recently, most are developing well.

Before “going global”, enterprises should consider several issues, including but not limited to:

1) Will our corporate culture integrate with the local culture? This decides the nature of the enterprise (i.e. joint venture or sole proprietorship) in the overseas market.

2) Do they have orders? For example, fast fashion products are not suitable for countries such as Myanmar and Bangladesh due to low orders, high costs, and fast turnover.

3) Factory location This is related to whether enterprises are entitled to favorable policies (varying among different industrial zones in Myanmar), employee turnover (e.g. Company A has two factories. One is located in a convenient industrial zone with around 5% employee turnover, while the other is located remotely, with only 2%–3% employee turnover), the availability of labor resources (Company E selected Mandalay because of sufficient labor resources, while many garment enterprises gather in Yangon).

4) Accounting costs Enterprises should not only consider labor costs. Instead, they should consider the cost of land, resources, management, and other factors.

So, Chinese enterprises must make an objective assessment of the investment environment and their own strengths in the investment process. They must undertake adequate research, and implement their investments prudently.



1. Select the Appropriate Investment Location

For example, Bangladesh has set up eight export processing zones; the Government gives favorable treatment to investments made in these areas. However, land in the processing zones can only be leased, and the product export ratio should reach 90%. Therefore, companies wishing to buy land to build their own factories or make localized product sales cannot invest in the processing zones. Dhaka is Bangladesh's political, economic, and cultural center. The nation's wealthiest people live there, so it is suitable for enterprises that serve high-end customers. However, Dhaka is far from the harbor, and thus unsuitable for enterprises that distribute raw materials and finished products. Chittagong is the second largest city in Bangladesh, and also the only harbor city in the country. The distribution of goods is relatively convenient, but the population is fairly small and it is far away from the national political, economic, and cultural center. The various regions of Bangladesh have different characteristics, and enterprises should make a reasonable choice based on their own needs.

2. Determine the Appropriate Investment Areas

According to our research, local apparel enterprises in Bangladesh already have low-end clothing production capacity; the market is saturated, so they are not seeking foreign investment in this area. Instead, they hope to attract investment in high-end clothing manufacturing to enhance the overall level of the national apparel industry. (Recently the barrier to foreign direct investment in apparel sector beyond EPZs is removed.⁹) However, the domestic market, resources, and industry supporting capacity represent a major constraint. Currently, the domestic market in Bangladesh has a huge demand for raw materials and textile machinery. The production of cloth products in Bangladesh can only meet 50% of the demand, and it must either invest or attract foreign investment to establish a series of spinning weaving plants. Bangladesh's apparel processing enterprises must use more than 70% local raw materials to obtain a certificate of origin. Since a large percentage of the gray cloth that is processed or imported by Bangladesh is not duly processed, it often causes delays in delivery for apparel processing enterprises. According to statistics, a gap of more than 2 billion square meters for dyeing and finishing needs to be filled in Bangladesh. This provides opportunities for Chinese spinning and dyeing and finishing enterprises. At present, most textile mills in Bangladesh use equipment manufactured by Germany and Japan. While their performance is superior, they are expensive. In the future, costs need to be further reduced for the development of the textile and apparel industry in Bangladesh. As the Chinese textile machinery has an absolute price advantage, it can make a difference in the textile machinery market in Bangladesh.



Notes: <http://thefinancialexpress.com.bd/trade/all-clear-on-ud-for-foreign-investment-in-rmg-1505275041>

3. Select the Appropriate Investment Method

With the rapid expansion of the clothing market in Bangladesh and Myanmar, Chinese enterprises have flocked there. The vast majority of these enterprises are small and medium-sized, and have not been reported to the relevant Chinese government authorities; they have instead adopted the method of setting up factories through local resident registration, so the regulatory authorities in the two countries find it difficult to obtain data about them. It is predicted that with the influx of Chinese manufacturers, profit margins will decline rapidly in the two markets. Therefore, companies can consider the method of gradually investing through trade first and factories second, in order to avoid making investment mistakes. Trade can help Chinese companies become familiar with the local investment environment, and can also lay a market foundation for them in local production, offering a higher starting point. In the investment process, Chinese companies should also consider establishing joint ventures with local enterprises. It is understood that very few joint ventures set up by Chinese companies in Bangladesh and Myanmar have been successful so far. Most of them experienced failure in cooperation due to differences in business philosophy or distribution of benefits after gaining profits; in many cases, the Chinese side claimed for disinvestment. An enterprise we visited in Myanmar is a joint venture with a state-owned company. This will ensure cooperation and offer some advantages in government communication. However, the Chinese manager of the company told us that before the joint venture, they had attempted to cooperate with individuals and private companies but failed. Therefore, we suggest taking the form of an exclusively-owned enterprise when investing in Bangladesh and Myanmar. If a joint venture is necessary, Chinese enterprises should keep more than 50% of the holding company, and ensure that key management skills, core technology, and marketing networks are in their own hands.

ii. Suggestions Relating to the Performance of Corporate Social Responsibility

1. Suggestions for Enterprises

Corporate social responsibility is an important requirement in Western countries, and a major mission for all modern enterprises. Issues such as labor and environmental protection involve the interests of employees, and also affect the development of enterprises. To maintain sustainable development, an enterprise must coordinate the interests of the economy, the environment, and society, and seek a fair balance. If an enterprise operating overseas bears its corporate social responsibilities, this will help it to win trust and support from the public.

1) Establish a More Perfect CSR Management System

So far, most Chinese-funded enterprises in Bangladesh and Myanmar have not established a CSR disclosure or reporting system. We suggest that these enterprises borrow Western practices, adopting a performance reporting mode that combines finance, the environment, and social responsibility, and disclosing comprehensive operating results to the public in a transparent manner, in order to win trust and support. If an enterprise discloses and reports its CSR status to the public and accepts supervision from stakeholders and society, this will encourage it to identify gaps in its CSR and make improvements.

Certainly, the precondition for reporting is to strictly carry out labor laws and regulations of relevant countries, effectively ensure the interests of employees, and take positive actions to improve working conditions for the labor force. At the same time, the enterprise should also strengthen its efforts to invest in and manage the production environment, work spaces, and living conditions for staff, and take environmental protection measures. Here, we would like to stress the following points:

First, staff training. Data so far show that the enterprises have not made an adequate investment in training. Of course, this is attributable to the fact that enterprises are reluctant to suffer a “loss” arising out of a higher turnover rate of employees. However, enterprises should also realize that training is a necessary way to increase the efficiency of employees. In this respect, enterprises must have long-term foresight, rather than seeing short-term interests only. Besides, good training can shape people and make employees more loyal to the enterprise. Enterprises should strengthen communication and dialogue with buyers, and seek their support for training.

Second, security protection. As we mentioned earlier, some workers have complained that the plant has provided corresponding labor protection facilities and devices, but has not taught them how to use these things. This is only an individual phenomenon, but constitutes a very big potential risk. Enterprises should identify management vulnerabilities to eliminate any possible hazard.

Third, information collection. Enterprises should see the collection and analysis of labor standards and other information relating to the industry as a major job. They should make good use of various channels and forms to collect information, find problems at an early stage, and take timely countermeasures. For example, child labor prevails in Bangladesh and Myanmar. Even if an enterprise strictly verifies workers’ identity certificates, it cannot completely rule out the use of false identities. If an enterprise verifies identities through diverse channels, it can at least find problems at an early stage, rather than not discovering the problem until a factory audit.

Fourth, supervision of suppliers. An enterprise should strictly observe the codes of conduct of suppliers established by buyers, and also supervise their own suppliers in raw material purchasing and service outsourcing to ensure that these suppliers fulfil corporate social responsibilities in all business activities. This is intended not only to meet the requirements of brand owners but also to cover the entire supply chain in respect of corporate social responsibility. Judging by the current situation, enterprises still have a very big space for improvement in this regard.

Fifth, philanthropic activities. Attention to public welfare and charity is an important way for an enterprise to shape its image and realize corporate social responsibility. Our survey shows that Chinese enterprises do not attach much importance to such practices, and invest very limited resources in this area. Enterprises should change the traditional thinking model of “business is business”, taking an active role in various public welfare projects and activities, and establishing extensive contact with media, nongovernmental organizations, and local communities. Moreover, they should actively gather “fans”, and highlight the contributions and results of Chinese enterprises in the performance of corporate social responsibilities in local communities.

2) Strengthen Communication with Employees

An enterprise's management of human resources is closely associated with its core values and cultures. It constitutes the foundation of smooth labor relations, and is the cornerstone for long-term development. The absolute majority of employees in an overseas enterprise are natives, while management personnel come from other cultural backgrounds. We have mentioned the strikes that have resulted from misunderstandings about overtime wages and holiday leave. These strikes happened as a result of inadequate communication. Although the people of Myanmar are generally kind and hardworking, they communicate indirectly, with high self-esteem and poor psychological endurance. This is the reason why employees are more willing to communicate with workmates, rather than directly reporting problems to supervisors, as we found in the questionnaire survey.

When we visited CTUM, the officials mentioned that some disputes could have been resolved internally. However, due to insufficient or ineffective communication, these events escalated into wider issues. They stressed that the executives at some foreign-funded factories were not friendly to employees, but were rude and arrogant in their language and actions. This has triggered worker protests and strikes.

The enterprises we have visited deny the existence of discriminatory conducts in their enterprises, but we can see from the questionnaires returned from Burmese employees that nearly 20% of the employees say they have heard of or personally suffered disturbance, corporal punishment or discrimination events (see Fig 50).

Moreover, the enterprises have not done the work enough to eliminate discrimination, and 3 out of the seven enterprises have not made corresponding policies (see Fig 51).

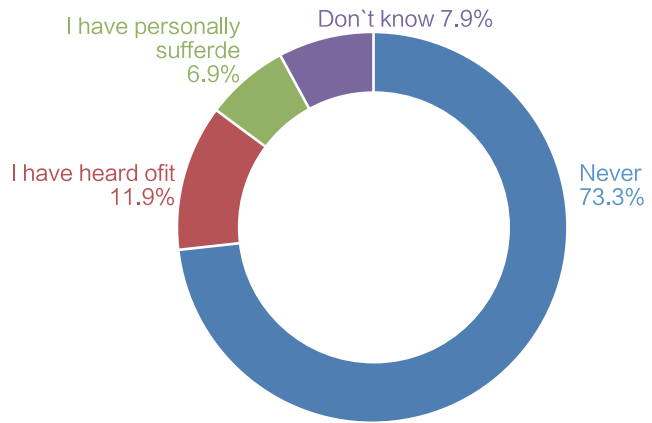
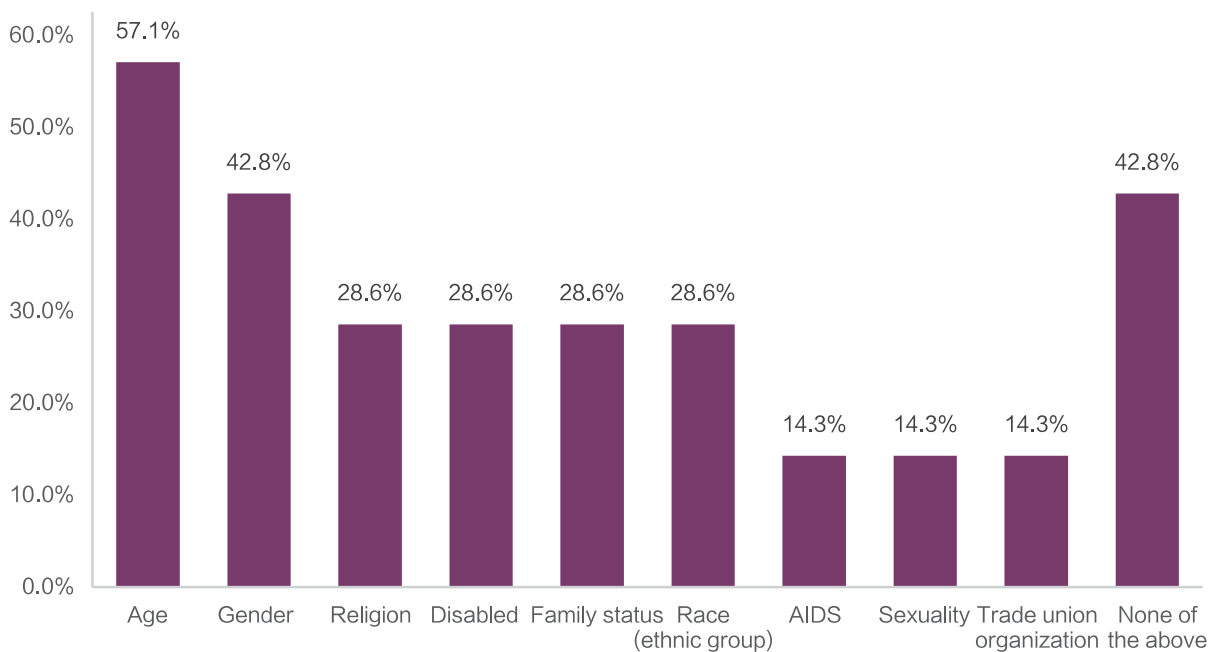


Fig 50 Disturbance, Corporal Punishment and Discrimination Suffered by Corporate Employees

Fig 51 Measures of Enterprises to Eliminate Discrimination



We believe that most discriminatory issues in the eyes of employees are not corporal punishment or abuse in the true sense, but only misunderstandings that result from details such as attitude and voice. A supervisor at a Burmese enterprise told us that when arranging work, a Chinese supervisor pointed to articles in the distance with his foot. The employees were greatly insulted. We don't know the exact situation. Possibly, the Chinese supervisor's hands were full, or he was used to using such body language in China. However, the misunderstanding could possibly escalate into a conflict between two cultures, as well as between the management and the work force.

We have also found some pertinent cases. For example, Company A has set up an opinion box, and checks it weekly to maintain smooth communication. Employees can report to the team leaders, and then the deputy director will summarize their views and report to the HR department or director. At Company K, Chinese managers and employees go to worship together on Buddhist holidays. Also, managers visit employees' homes to understand their needs. These measures will strengthen communication between enterprises and employees, reduce estrangement between different cultures, greatly improve employees' sense of belonging to the enterprise, and stimulate creativity and enthusiasm. At Company G, the general manager told us that they attach great importance to equal interaction with employees, so many employees will kneel to respect the general manager and present fresh flowers on the traditional Master's Day in Myanmar.

As was emphasized by the enterprises with smooth industrial relations, an effective communication channel between the management team and workers is important for maintaining a good atmosphere and improving worker productivity. The most important thing is to respect workers and their culture, and communicate with them in a friendly, egalitarian manner. This point is worth noting by all enterprises. During communication, an enterprise should pay special attention to several groups: First, new employees; Second, employees from other provinces; Third, employees with high academic degrees. New employees find it difficult to tolerate change, as they have just left university to start work; employees from other provinces have left their hometowns and have no support in a new environment; employees with high academic degrees expect more of themselves and are more active thinkers. All of these employees are "vulnerable groups" and should receive care from the company and supervisors. If the company can grasp its own mental dynamics and help employees resolve difficulties, factories will be much more stable. It is an essential element of corporate social responsibility to strengthen staff welfare, with a view to enterprise development.

The "parent-like management mode" in China will definitely not work in Myanmar. Dialogue should be equal. In principle, people are not discriminated against in terms of lowliness and nobleness. If we deal with things using this principle, we will be more successful. "

—A senior executive at a Chinese enterprise in Myanmar talks about staff management



3) Realizing Localized Management

Localized management is another way of ensuring effective communication. As we have mentioned above, the questionnaire survey shows that enterprises regard difficulties in communication with local staff and cultural conflict as major problems. However, many investment companies are not assured of the quality and management of local employees, and believe that only Chinese employees are competent for the management of ordinary labor. However, Bangladesh and Myanmar have their own unique languages and cultural backgrounds. Ordinary workers have limited abilities in English, so Chinese managers find it difficult to understand them. This results in misunderstandings, strikes, and other extreme events. Some enterprises hire interpreters to communicate with local employees. The enterprises we have surveyed have done so (according to the returned questionnaires, 5 out of the 7 enterprises depend on interpreters to resolve language issues, and only 2 of them rely on Chinese managers who speak the local language) (see Fig 52). However, interpreters cannot properly express the full meaning of Chinese managers' words, causing bigger misunderstandings.

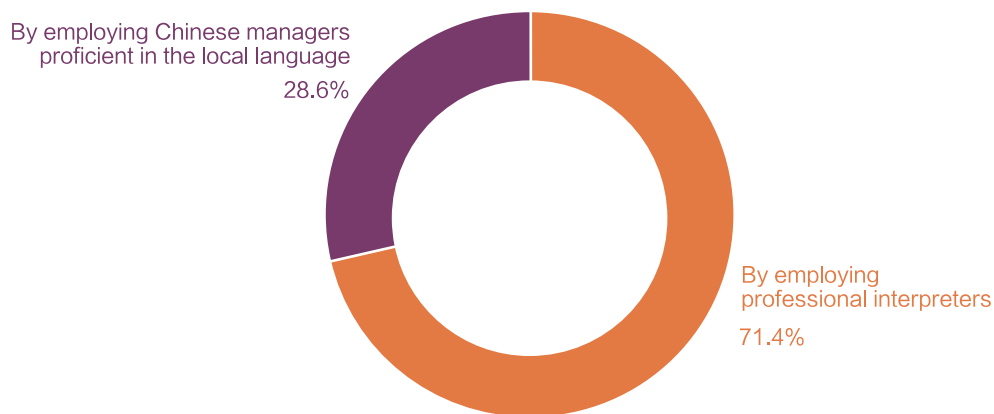


Fig 52 Ways of Enterprises to Solve the Babel Tower

Among the enterprises we surveyed, Company F in Bangladesh performs best in this aspect; its factory of 2,000 employees has only 5 Chinese staff. Another is Company I in Myanmar. Among 1,200 workers, there are only nine Chinese employees, most of whom are technicians. Company G defines its management model as: "Chinese technical guidance + local managers". This model may not be suitable for every enterprise. However, minimizing Chinese employees reduces the management hierarchy, improves communication efficiency and limits misunderstandings, and reduces costs in human resources. The enterprises we surveyed claimed that the salary of a Chinese employee could employ 20 local workers. If enterprises can reduce Chinese employees, they can also reduce management costs. Company I requires Chinese technicians to learn Burmese and be able to communicate with local employees within one year. It has reduced two interpreters to only one. These measures have greatly improved communication, and have reduced unnecessary misunderstandings. In addition, locals can manage locals through the training and promotion of local managers. As these people are relatively highly educated, they can establish a smooth communication channel between Chinese executives and local workers, in a bridging role. This way, local managers will be able to express things on behalf of Chinese managers, and may even do a better job on certain issues. These measures can usually double the effect.

4) Attach Importance to Environmental Issues

Bangladesh is a resource-poor country, and environmental issues are of vital interest. The government, the media, and the local population are very sensitive to environmental concerns. The country's environmental protection departments and local governments are striving to improve their own ecological environments through means such as improving laws and regulations, and increasing the penalties for illegal discharge. Therefore, enterprises should attach great importance to the EIA process and the environmental compliance review of their investment projects. They should obtain a formal approval document issued by an environmental protection department according to the law. They must never go into operation without prior permission.

Myanmar has rich natural resources. In recent years, the government and the public have been strengthening overall awareness of environmental protection. In particular, environmental protection organizations closely observe foreign enterprises' establishment of local projects. If a manufacturer thinks it can abuse environmental protection laws and regulations in Myanmar, it is making a very big mistake. It is likely to suffer environmental risks, and ultimately harm its own interests. Therefore, enterprises in Myanmar must observe relevant laws and regulations, and should communicate with the regulatory authorities. At the same time, to resolve current "disadvantages", enterprises should perfect monitoring and working mechanisms in relation to greenhouse gas emission as well as waste reutilization, and the use and re-use of renewable energy and materials.

Enterprises should also pay attention to strengthening employees' awareness of environmental protection. Our survey shows that some employees know nothing about the environmental protection status of their enterprises. This is possibly because they have not fully understood the issue, but also reflects the fact that enterprises should do a better job of improving staff training and publicity.

5) Properly Handle Relationships with Trade Unions and NGOs

In all countries, trade union organizations now play an increasingly important role in economic and political affairs. In Bangladesh, future laws and regulations related to trade union activities and rally demonstrations may be more lenient. As a result of the political turmoil in Bangladesh, some politicians are represented by trades unions for political purposes, and encourage workers to strike or confront their employers. After the civil government assumed office, Myanmar's trade union force has grown in strength. The country's trade unions exert increasing influence on the mobilization of workers, the organization of activities, and the fight for rights on behalf of workers. At the same time, they maintain close contact with purchasers (such as H&M), industrial supervision authorities, international organizations, and even the media. They are now becoming even more deeply involved in industrial disputes.

Based on their individual stances, enterprises and trade unions naturally have different opinions on certain issues. However, as the power of trade unions is growing, enterprises will have to face the practical issue of how to get along with them "in peace". Now, some enterprises are opting to avoid trade unions, hoping that the two parties will not intervene with one another. However, once a trade union gets involved in an industrial dispute, this "balance" will immediately disappear. Both parties will naturally voice different opinions and fail to agree with one another. Finally, the dispute will end up nowhere, only deepening the estrangement between the enterprise and the trade union and destroying the reputation of the enterprise. Therefore, an enterprise should maintain necessary communication with the trade union and listen to the latter's appeals. In the communication process, Chinese enterprises can invite Myanmar partners or prestigious local personnel to communicate with the trade union and solve problems in line with actual situations, and through negotiating with the trade union. The enterprise should observe the psychological dynamics of the enterprise's trade union members, guiding them when necessary, and finding and resolving any problems promptly. At the same time, enterprises should closely follow up the revision of relevant labor laws and regulations to ensure familiarity and compliance.

As economic globalization continues, NGOs are now gradually enlarging their influence on public opinions with their actions. Therefore, more multinational corporations are holding discussions of various forms with NGOs. Many Chinese enterprises understand the importance of communication with host governments, but lack good coordination with NGOs. We should note that NGOs and international organizations play an important role in labor protection and the promotion of corporate social responsibility in Myanmar and Bangladesh. For example, the International Labor Organization is participating in drafting the Guidelines for Labor Law, while the CCR CSR is working on solving child labor issues. To establish good relationships with these organizations and institutions, Chinese enterprises should seek out the latest information, and accept help when encountering problems. In our survey, some enterprises claimed that the training provided by NGOs was not practical. These issues can only be solved through strengthening communication.

6) Prioritize the Role of Local Industry Associations

Bangladesh' s main industries all have national business associations. These organizations are closely related to the government, and have a strong voice and influence in industrial development. In the field of textiles and apparel, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) are major industry associations. Take BGMEA as an example, it is a semi-official association organization, but has a lot of power. It almost dominates Bangladeshi exports: With some exceptions, only a factory that is a member of the Association can export textiles and apparel. The Association is also responsible for controlling imports of fabric and issuing certificates of origin (proof that the clothing comes from Bangladesh). It has an arbitration committee that is responsible for resolving disputes and managing more complex subcontracting operations. Joining the Association is a must for product exporters. In Myanmar, the Myanmar Garment Manufacturers' Association (MGMA) has similar functions. In 2015, the MGMA announced a 10-year strategy for Myanmar' s garment industry, which contains major objectives relating to corporate social responsibility. These industry associations maintain close communication with government agencies, buyers, trade unions, international organizations, and NGOs. Thus, reinforcing contact with these industrial supervision authorities is the only way to deal with complex political relations in the local market, meet relevant CSR requirements, and become more competitive.



2. Suggestions for Stakeholders

Corporate social responsibility is the duty of an enterprise for its stakeholders. The assumption of corporate social responsibility means that an enterprise must pay attention to the appeals of stakeholders and maintain their interests. To make this happen, stakeholders must participate in the enterprise's efforts to refine its CSR system by offering tangible and effective help, rather than simply setting requirements.

1) Government Authorities

The Chinese government has explicitly called upon enterprises "going global" to perform necessary corporate social responsibilities. It has issued a series of guidelines stipulating the essential requirements for corporate social responsibilities such as staff management, culture building, and environmental protection. However, when "going global" and particularly when performing corporate social responsibilities, enterprises still face confusion and difficulties. The government sets the overall guidelines for corporate social responsibility, and lacks guidelines pertaining to concrete industries and specific countries (regions). Therefore, these guidelines are not strongly differential. So, we suggest that related regulatory authorities strengthen CSR training for textile enterprises "going global". The authorities can host events such as training workshops, symposiums, and forums to help enterprises "going global" to become familiar with international rules and special conditions in local markets, to improve awareness of corporate social responsibility. Chinese embassies and consulates in foreign countries should strengthen coordination with local authorities and reinforce management to address the poor CSR performance of small and medium enterprises, as generally reflected by enterprises. At the same time, Chinese embassies and consulates should strengthen communication with local media, promote positive publicity, and create a good climate for other enterprises to perform corporate social responsibility.

2) Buyers

Many enterprises wrongly believe that buyers' efforts to promote corporate social responsibilities are limited to factory reviews and audits. These activities certainly work to encourage enterprises to perform of corporate social responsibilities, but have major limitations. If a buyer does not truly participate in cultivating awareness of corporate social responsibility, and only "instructs" or "intervenes" from above, the enterprise will only deal with various inspections mechanically, which will reduce review and audit to a form.

Therefore, we should adjust relations between buyers and suppliers in several ways. First, we should change the traditional mode that buyers review suppliers. At present, some buyers reduce product prices to such an extent that suppliers may lose money. They also set CSR requirements for enterprises, which will severely threaten suppliers' interests. In future, we should establish relations of equality and mutual benefit between buyers and suppliers. A buyer should not merely require a supplier to assume corporate social responsibilities, but should concede part of its profit income to sharing the CSR cost with the supplier. Second, we have observed the strongest complaint from enterprises during the survey: One enterprise has to deal with different CSR codes of different clients and accept plant inspections of different clients once and again. These codes are different in content and incomparable, so suppliers and factories have to expend extensive human, material, and financial resources on compliance. Therefore, enterprises urgently need to establish a uniform, consistent, and comparable assessment standard. Third, a buyer must provide tangible help for the supplier, rather than leaving the supplier alone to resolve problems itself after the inspection. The buyer should provide multidimensional training for the supplier's staff. This training should help improve staff's skills and their relations with the enterprise. At the same time, the buyer should also help the enterprise to properly handle its relationship with the trade union.

3) Industry Organizations

Overseas enterprises generally expect to see a lot of industry organizations for Chinese enterprises in host countries. When “going global”, textile enterprises should strengthen mutual collaboration and “huddle together for warmth” as a feasible way to “land” and “take root”. Developing countries like Myanmar and Bangladesh need to refine their infrastructure and business environment. Thus, if enterprises unite, “synergy” can integrate corporate resources to generate a cluster effect, extend the industrial chain, and reduce the cost of production, management, and trade. It can also improve cost advantages and production efficiency, lead to joint investments in infrastructure (such as ports, roads, and electricity), and improve the investment environment. When it comes to corporate social responsibility, an alliance between enterprises promoted through industry organizations can optimize the allocation of resources and achieve an economy of scale and intensive development. After growing stronger, enterprises can allocate more resources to improve working and living conditions for the labor force and protect the environment. At the same time, industry organizations will promote information sharing among enterprises, and encourage enterprises to join forces and deal with relationships between local governments and various stakeholders from all strata of society, so as to protect enterprises’ interests and reduce investment risks. In April 2017, the annual conference of the Chinese Enterprises’ Chamber in Myanmar and a textile garment branch (association) were established in Yangon, and a similar organization was launched in Dhaka. This is a blessing for Chinese textile and garment enterprises in the two countries. In the past, there were no corresponding industry organizations in the host countries. Many enterprises had to “fight alone” or seek information and assistance from friends or compatriots. The establishment of overseas chambers of commerce will ensure the security and interests of enterprises to a great extent. It will serve as a platform for enterprises to talk with local chambers of commerce and governments, and will help to promote the establishment of relations with mutual benefit and mutual trust between Chinese enterprises and local societies. At the same time, overseas chambers of commerce will supervise and assess the CSR performance of enterprises in the industry. We should encourage enterprises in the industry to reach a consensus, establish CSR standards, organize CSR training, and assess CSR performance.

We can see from the questionnaires returned from enterprises that they generally hope industry organizations will provide more information (7, 100%), professional consulting service (5, 71.4%) and training (5, 71.4%) for overseas enterprises (see Fig 53). The CNTAC is also willing to utilize current resources to organize joint training sessions with the two associations, helping enterprises to perform corporate social responsibilities more successfully.

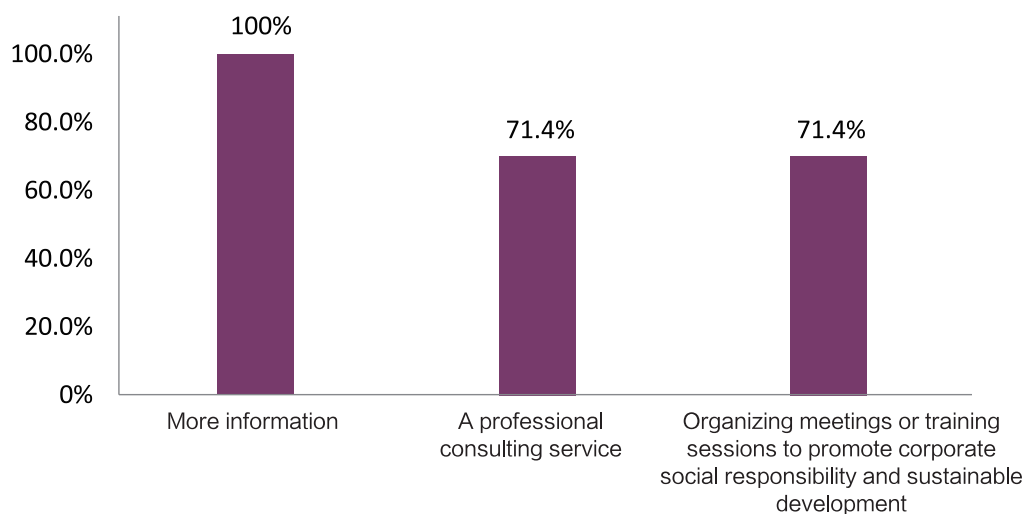


Fig 53 Enterprises’ Expectations of Services from Industry Associations/ Standard Institutions

4) International Organizations and NGOs

They mainly play two roles in promoting corporate social responsibility. One role is to “exert pressure” . For example, environmental protection organizations disclose enterprises’ performance of environmental responsibilities. Also, the ILO guides enterprises’ conduct by establishing relevant labor standards. The other role is to “strengthen attractiveness” . For example, some charity organizations or volunteer organizations provide a platform for enterprises to perform corporate social responsibilities.

Regardless of either role, international organizations and NGOs can serve as a “buffer” . While revealing the disadvantages of corporate social responsibility, they also promote charitable conduct and outstanding practices among enterprises. Therefore, international organizations and NGOs should be neutral. In particular, NGOs of a civil nature have no official background, so they often act as a spokesperson for public sentiments, and even initiate corresponding activities. Such voices and activities are sometimes directed to the policy area, and sometimes directly targeted at the operating conduct of a certain enterprise. Their opinions are not necessarily correct, but will usually trigger public feeling, attracting attention to certain events, and guiding public opinion. If an NGO does not appear to have a neutral stance, it will usually trigger unfair public opinions and even radical public conduct. NGOs should consider how to avoid impartiality due to internal factors or realistic situations.

At the same time, when establishing rules, international organizations should also take into account the realities of different countries and industries, and make their guidelines more consistent with reality. They should strengthen communication with enterprises, and listen to their views. NGOs should be more professional. Some NGOs lack expertise and can only be an “empty shell” . NGOs should strengthen communication with enterprises, understand their true requirements, help them to dialogue with stakeholders, and instruct them on how to manage corporate social responsibility effectively. For example, NGOs should know what help and knowledge enterprises need most urgently in order to perform corporate social responsibilities. They should then provide the most relevant training.

Epilogue

Enterprises’ performance of corporate social responsibilities during foreign investment not only relates to the realization of their development strategies, but also concerns the sustainable development of foreign investment. To perform well, we should encourage promotion by the industry, implementation by enterprises, and common involvement of stakeholders. At the same time, we should provide necessary government guidance, and stimulate the enthusiasm of the parties involved. Particularly in the highly sensitive textile and apparel industry, it is hugely important that we build a smooth dialogue mechanism among stakeholders. Finally, we hope that the summary and suggestions in this survey will help Chinese textile and garment enterprises to invest overseas while performing their corporate social responsibilities.

Appendix 1: Annexed Tables

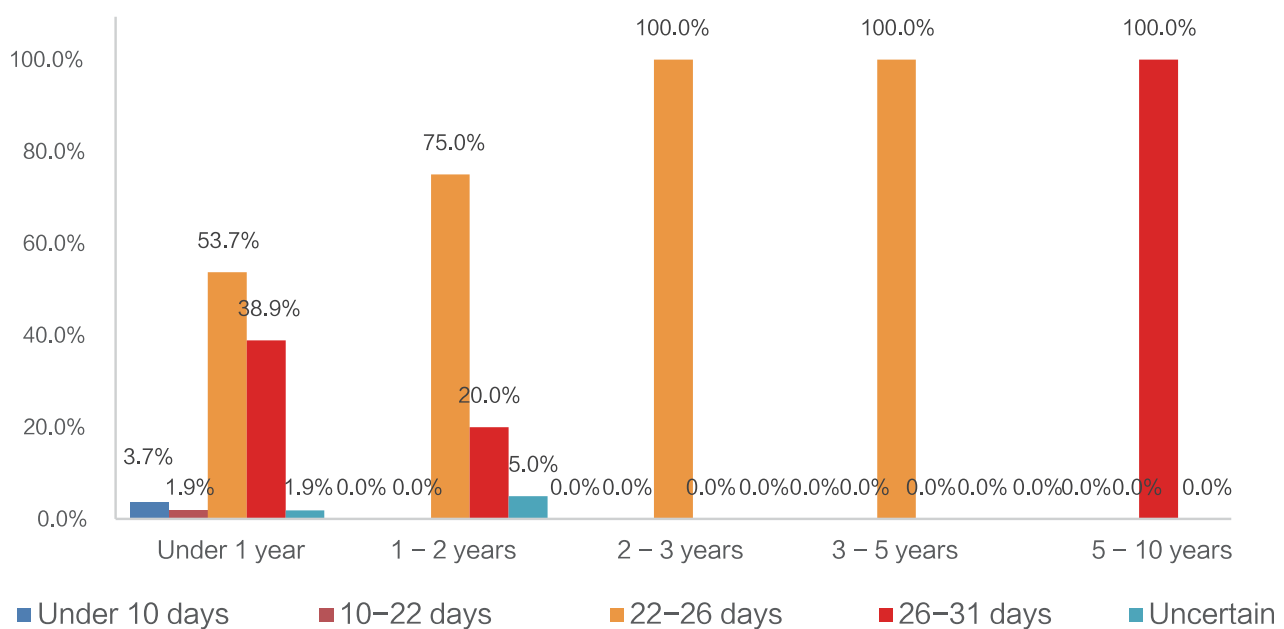
List of Enterprises Participating in the Survey

Company name	Host country	Date of establishment	Total Assets (by the end of 2016) (USD10,000)	Number of employees (by the end of 2016) (Persons)	Ratio of female employees	Major business area	Ratio of managers	Proportion of local employees
Company A	Myanmar	2015	1,000	2,300	85	Garment manufacturing and printing	Below 10%	Above 95%
Company B	Bangladesh	2013	7,703,547	980	80	Garment manufacturing	20%-30%	Above 95%
Company C	Myanmar	2016	150	730	90	Garment manufacturing	20%-30%	Above 95%
Company D	Myanmar	2014	526	351	85	Weaving, printing, and dyeing	10%-20%	80%-90%
Company E	Myanmar	2016	300	1,000	95	Garment manufacturing	10%-20%	80%-90%
Company F	Bangladesh	1999	2,500	2,600	50	Garment manufacturing	20%-30%	90-95%
Company G	Myanmar	2014	1,000	956	92	Garment manufacturing	Below 10%	Above 95%

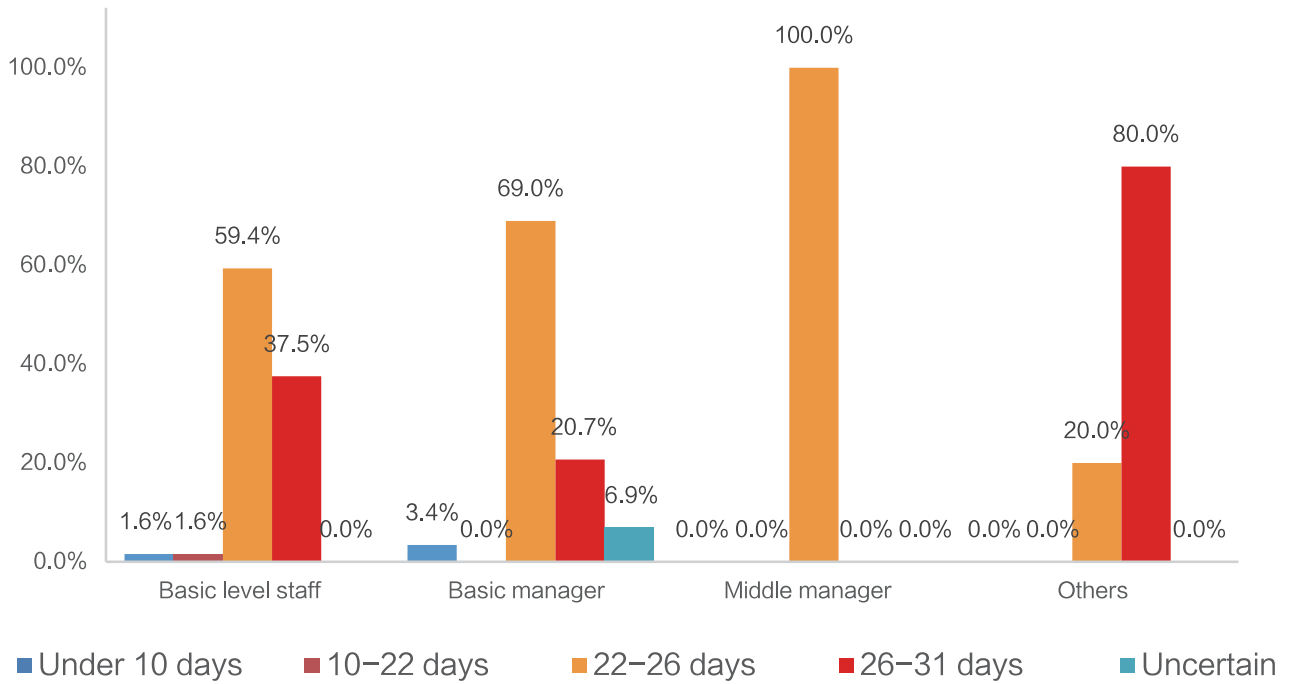
Appendix 2: Figures

Figures 1: Working Hours of Various Types of Employees

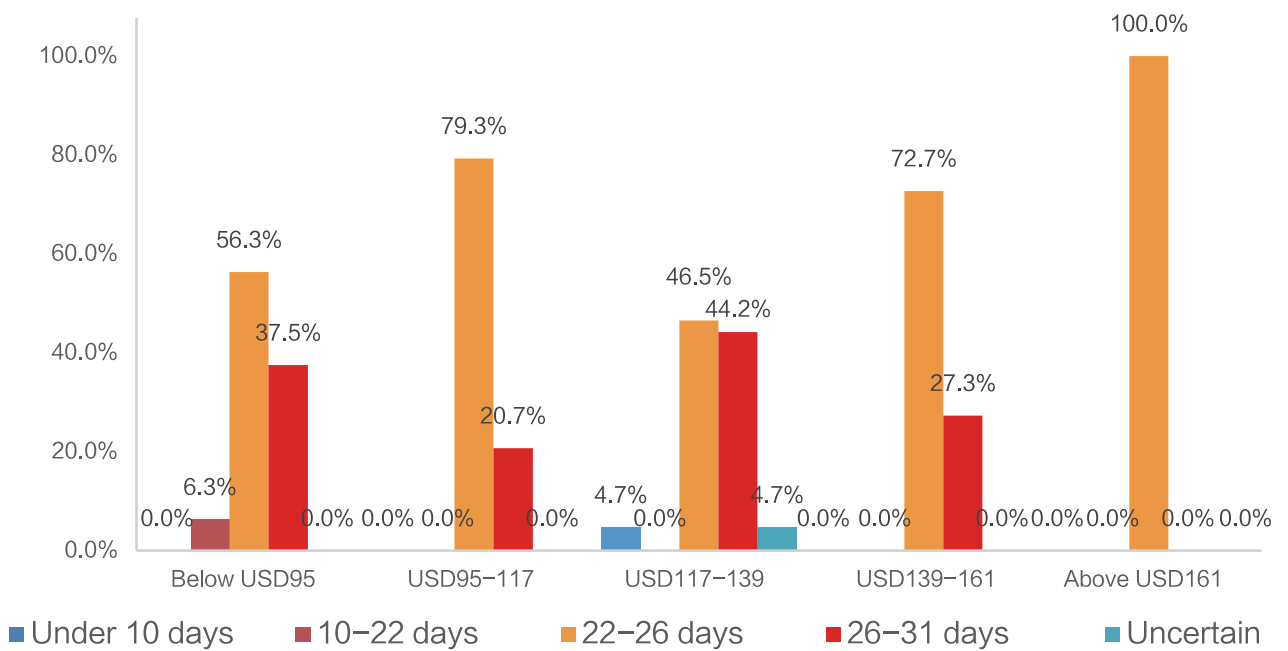
Cross Analysis of Tenure and Working Hours



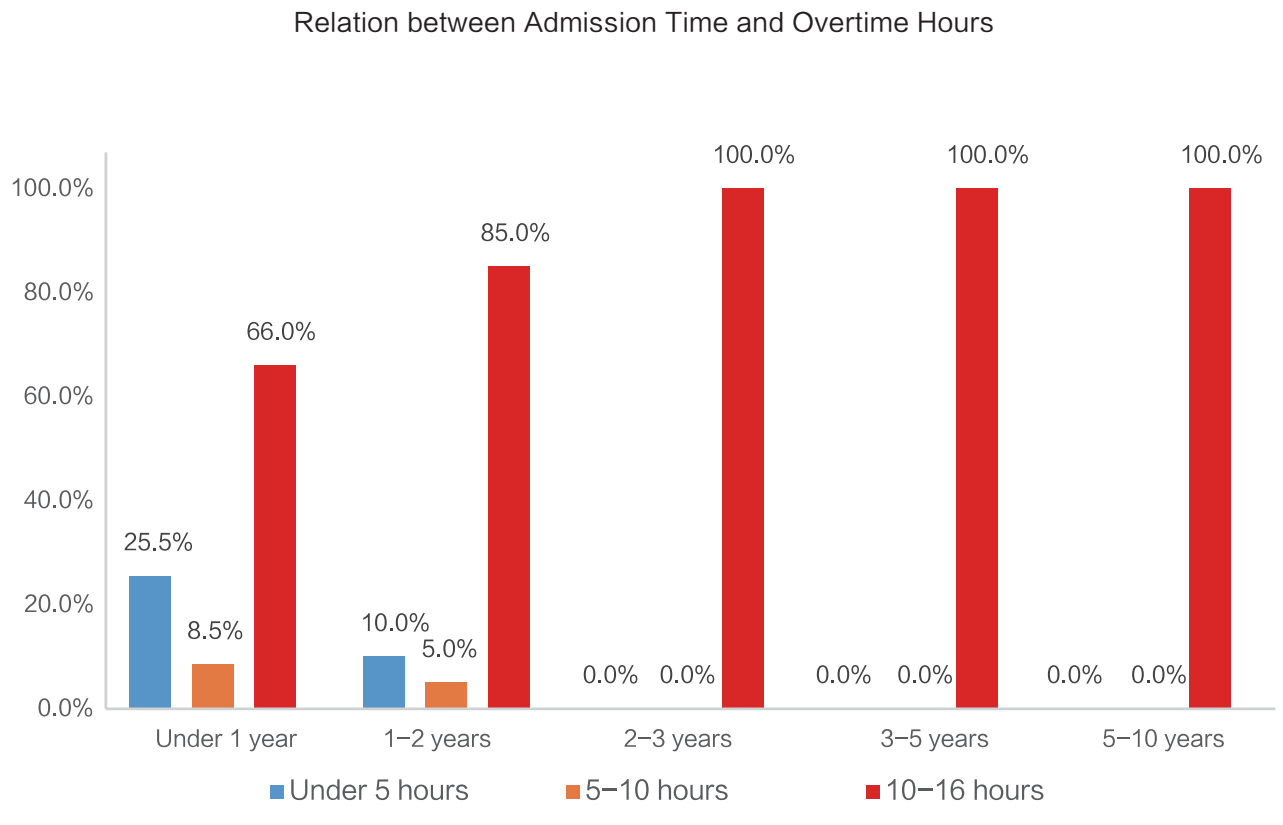
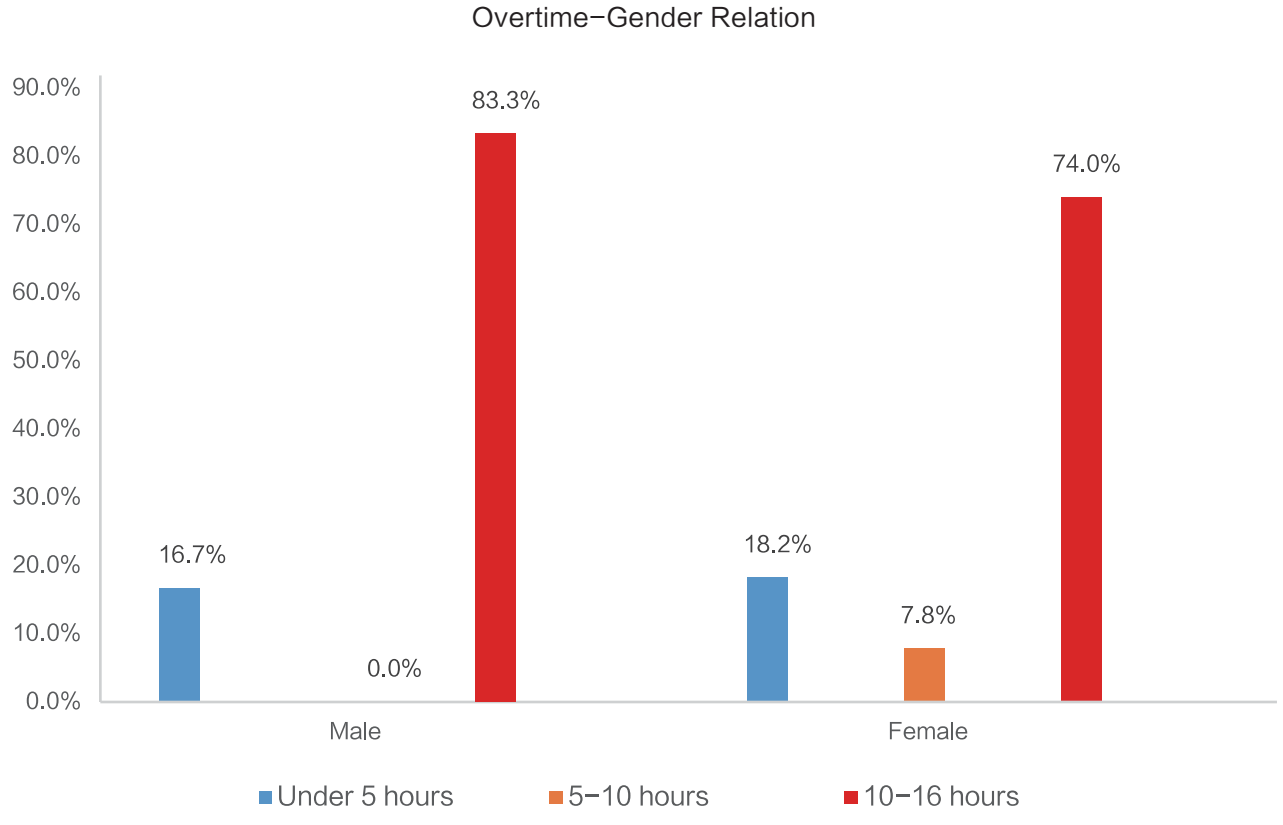
Cross Analysis of Level and Working Hours



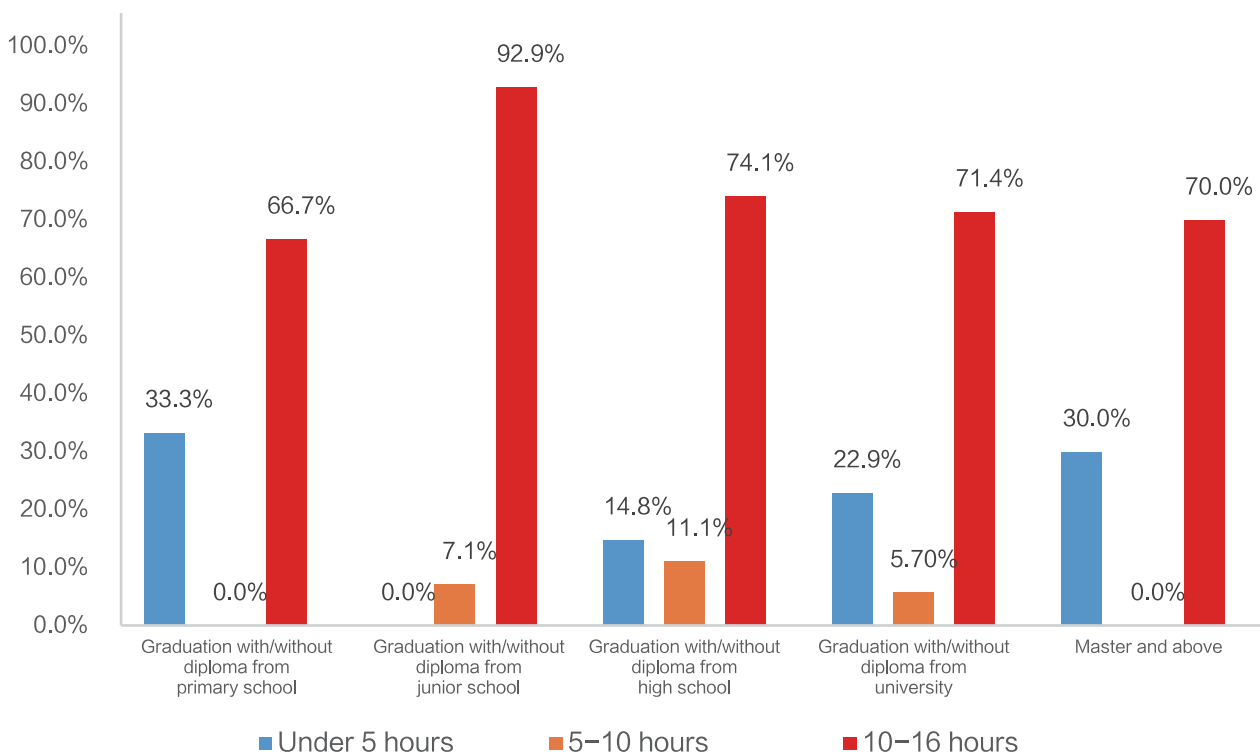
Cross Analysis of Income and Working Hours



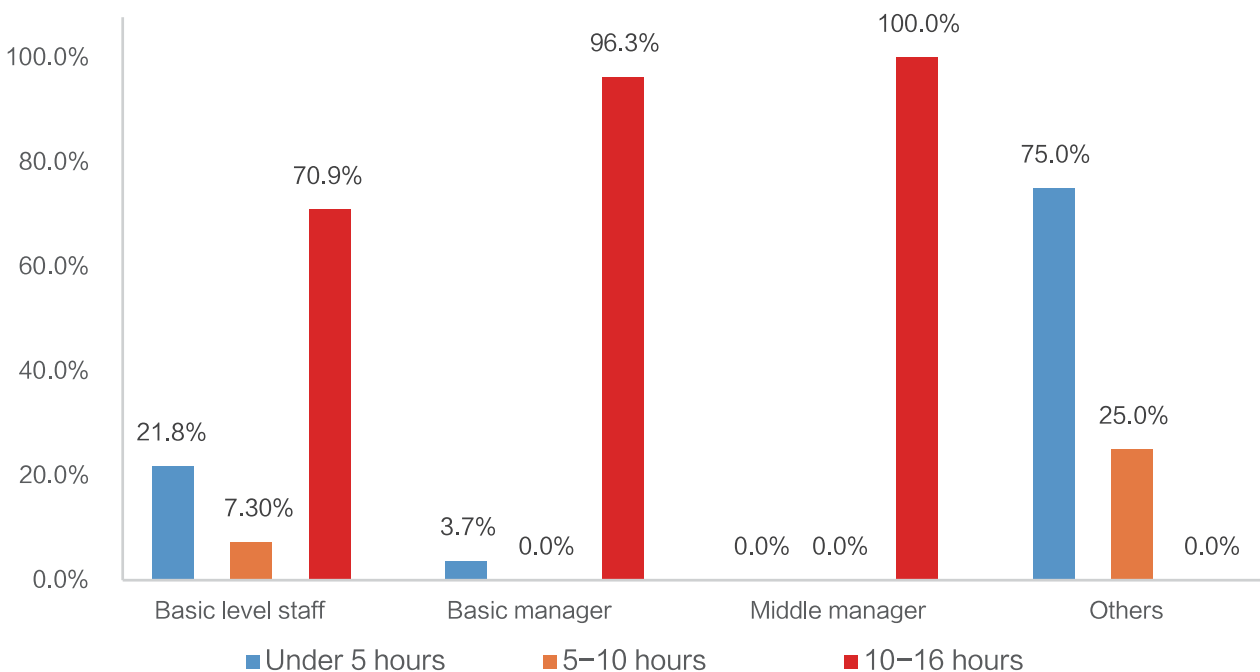
Figures 2: Analysis of overtime and staff types



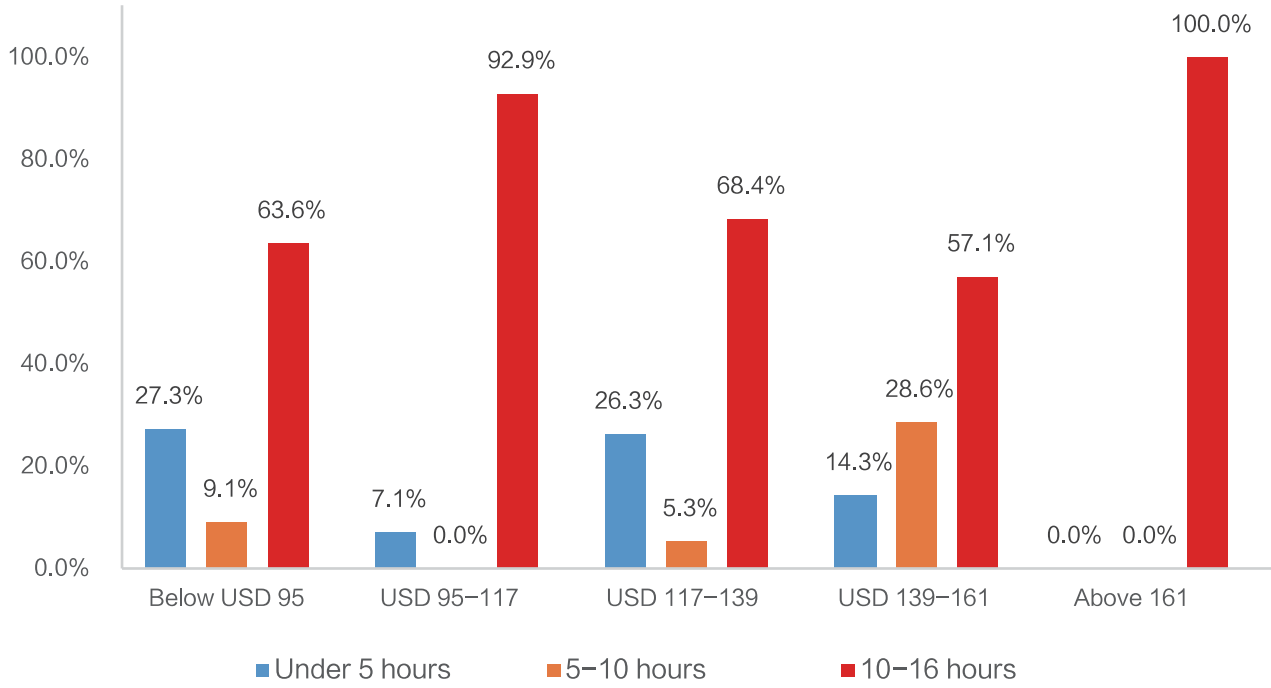
Relationship between Education Level and Overtime Hours



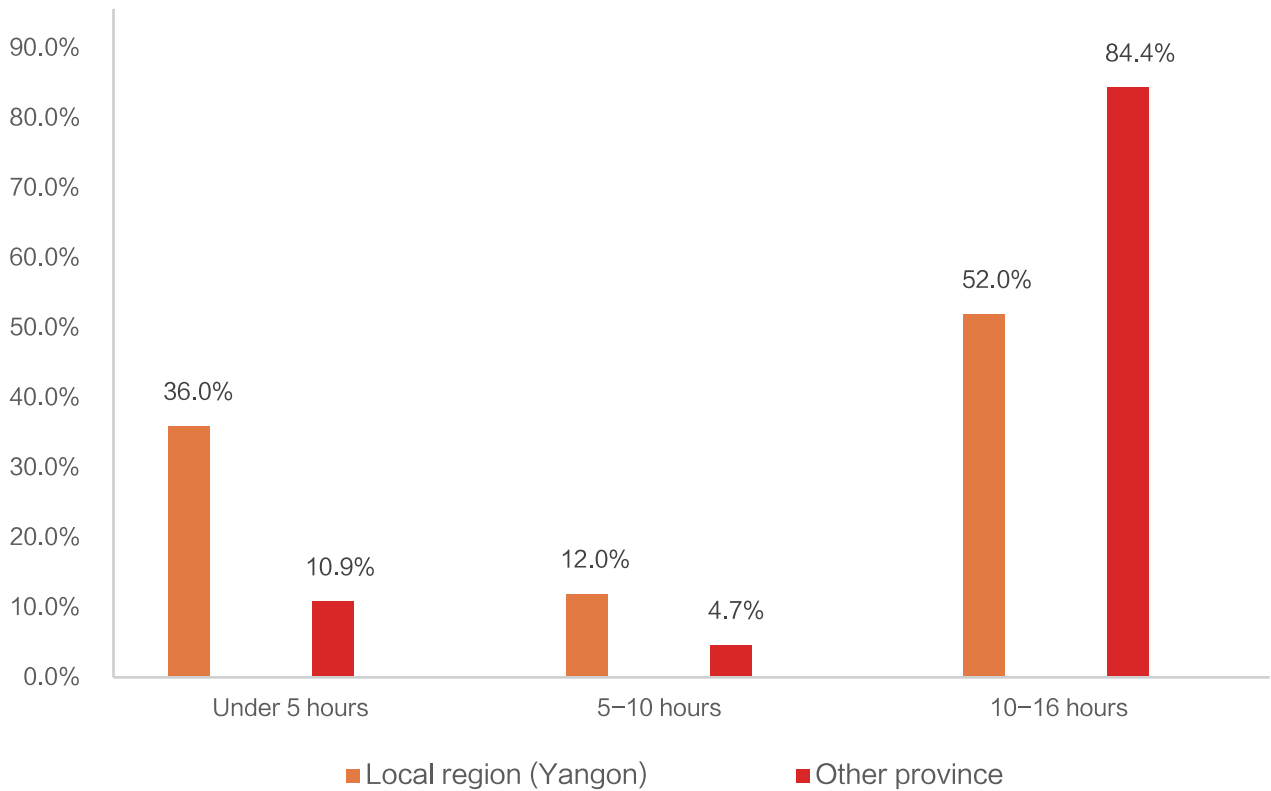
Relation between Level and Overtime Hours



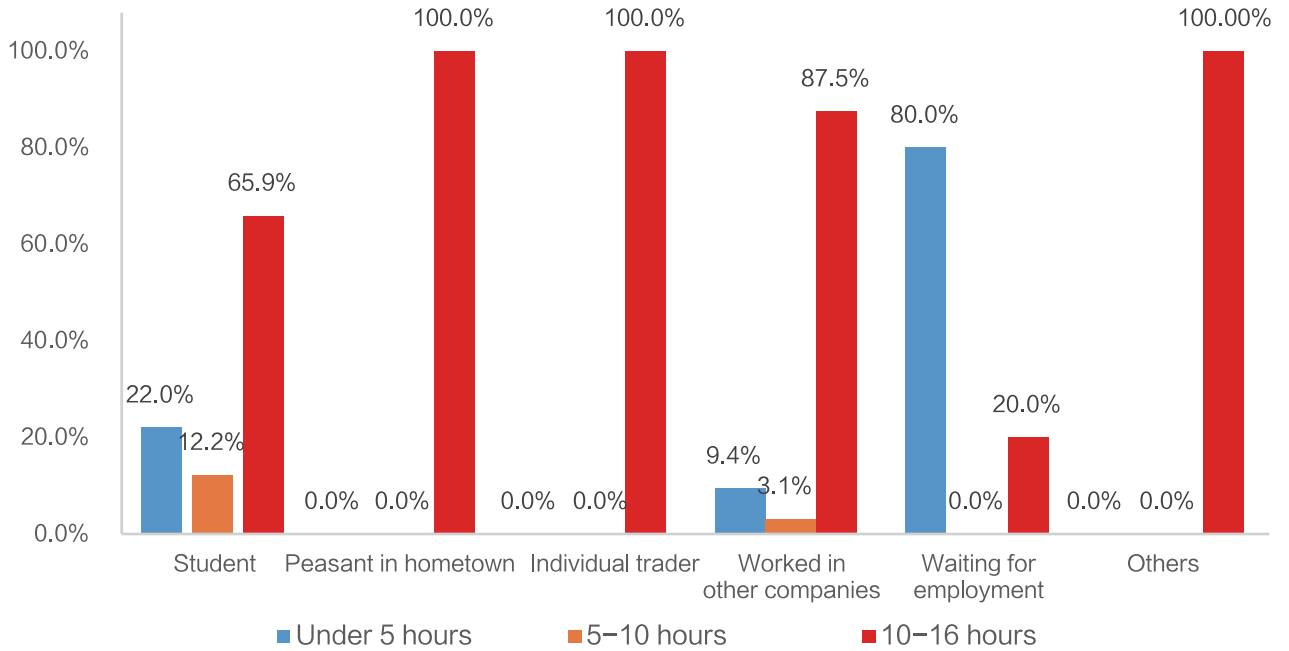
Relation between Income and Overtime Hours



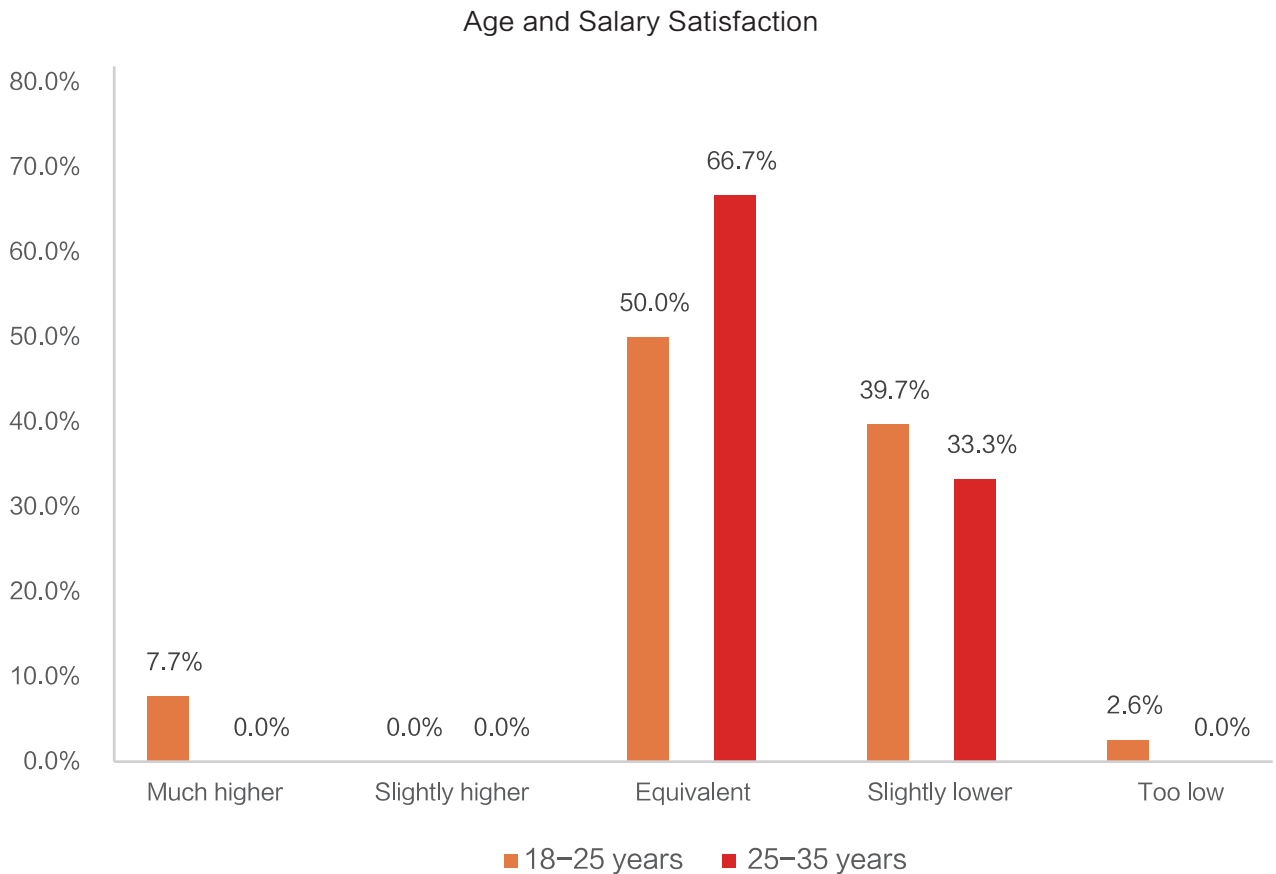
Relationship between Provenance of Employee and Overtime Hours



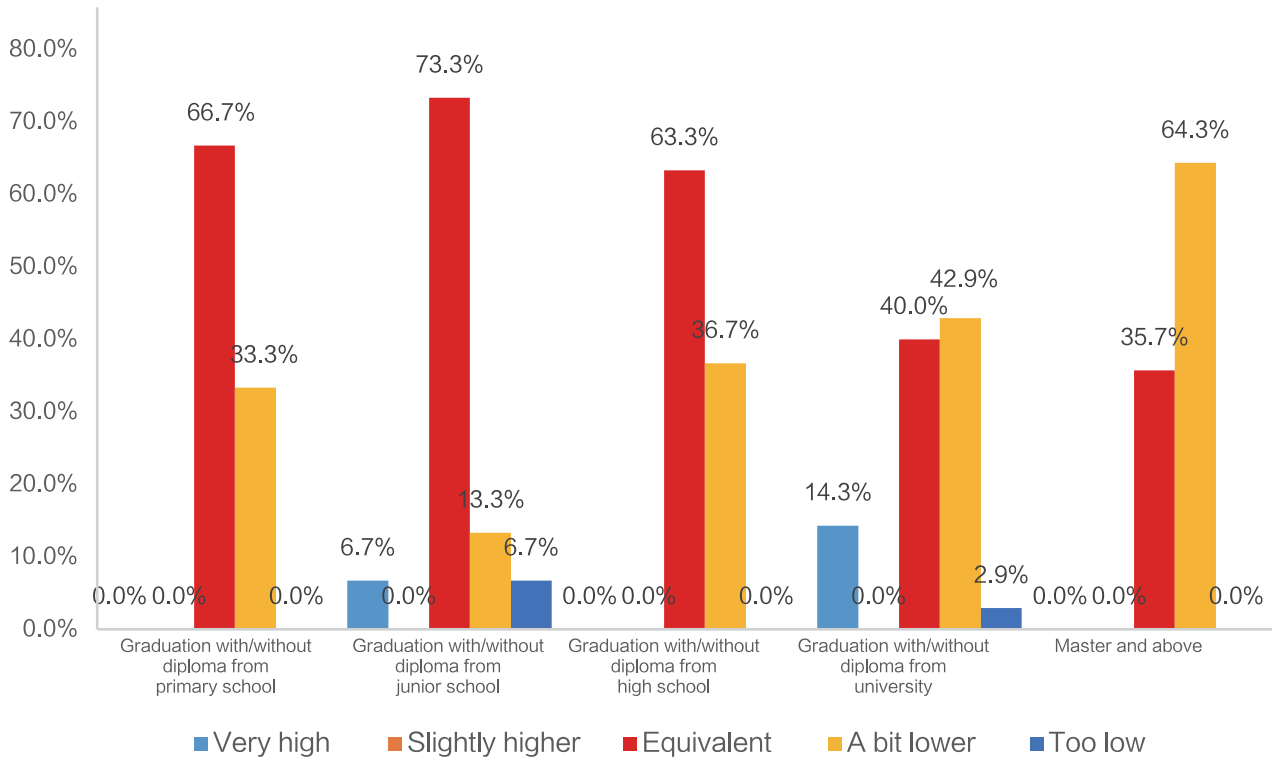
Relationship between Work Experience and Overtime Hours



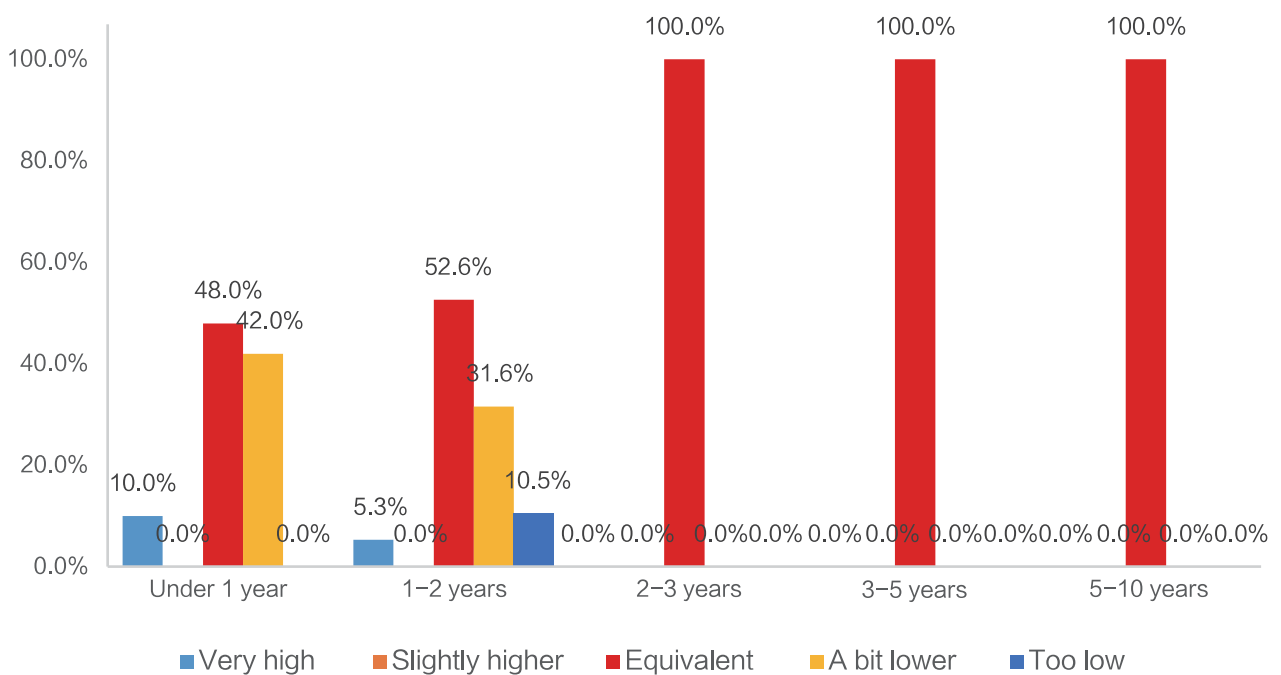
Figures 3: Salary Satisfaction of Employees by Group



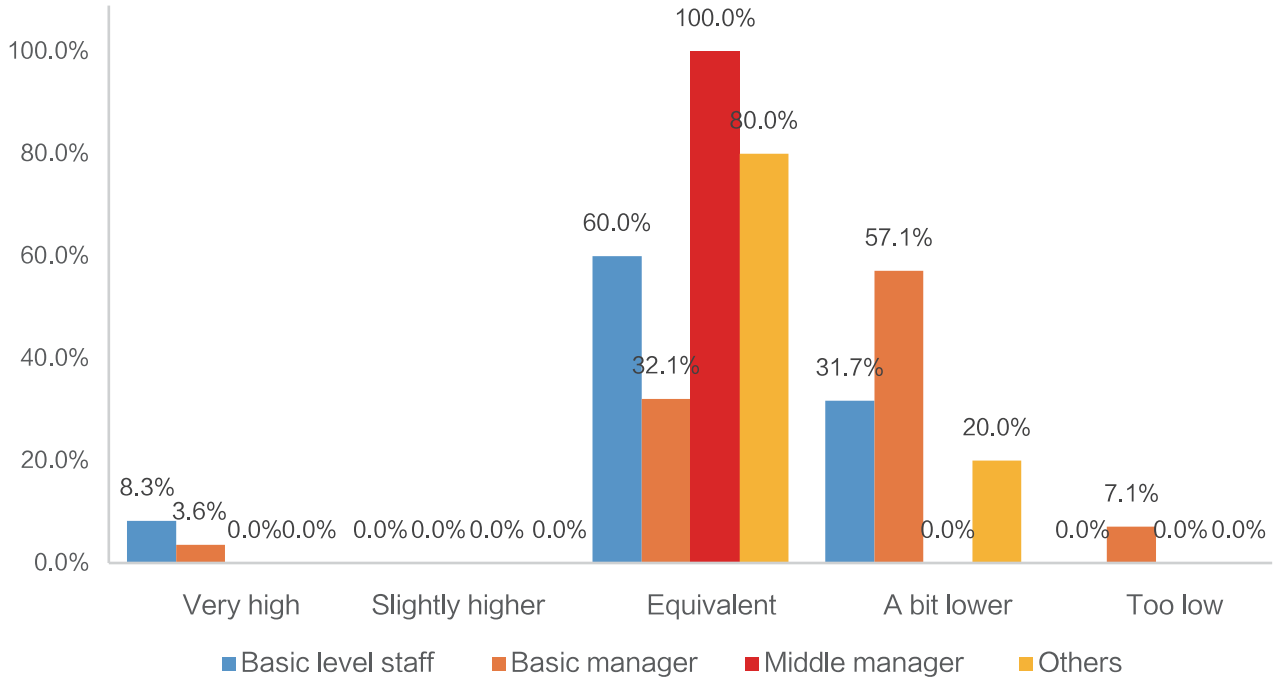
Academic Degree and Salary Satisfaction



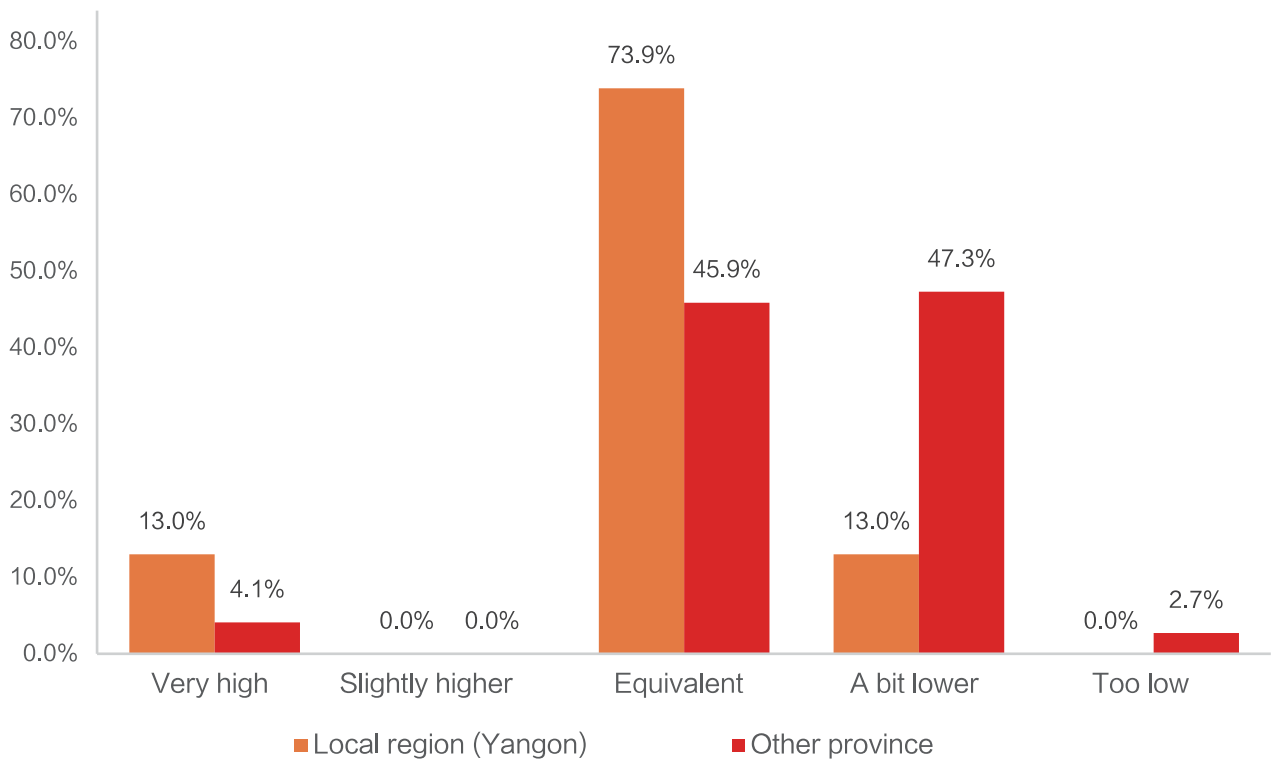
Academic Degree and Salary Satisfaction



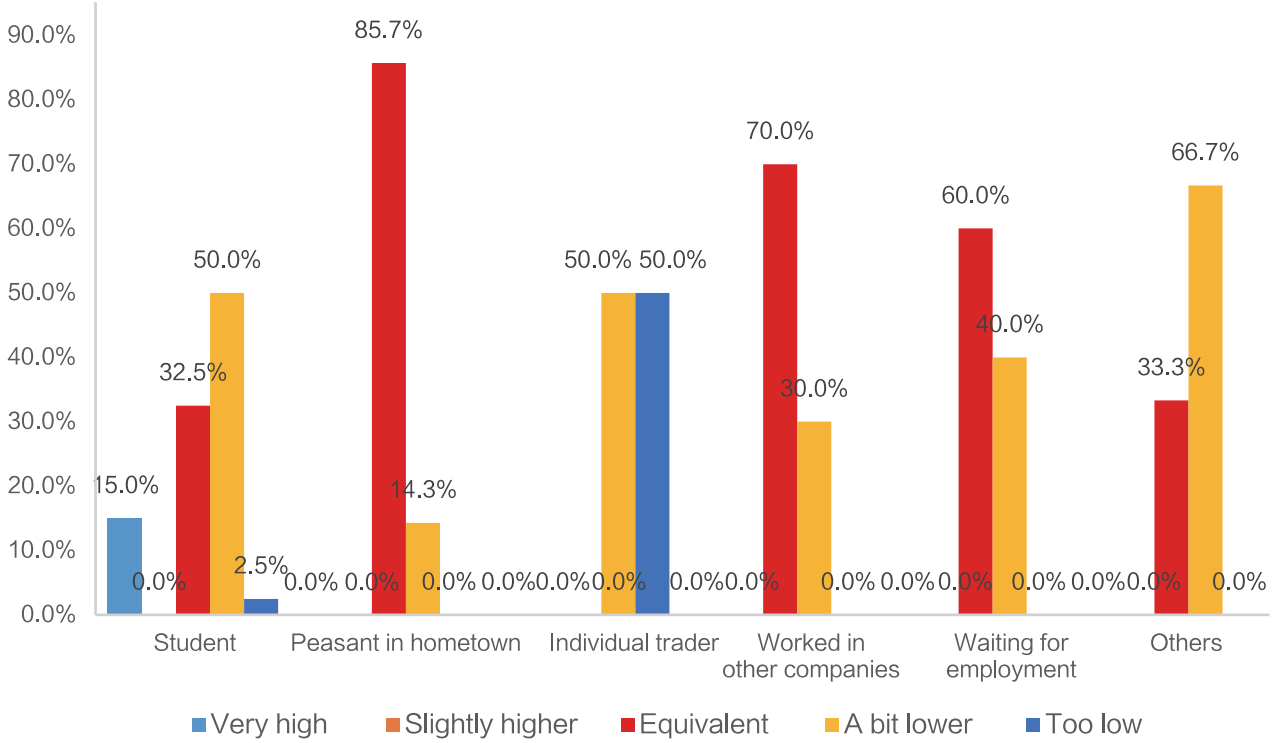
Tenure and Salary Satisfaction



Provenance of Employee and Salary Satisfaction

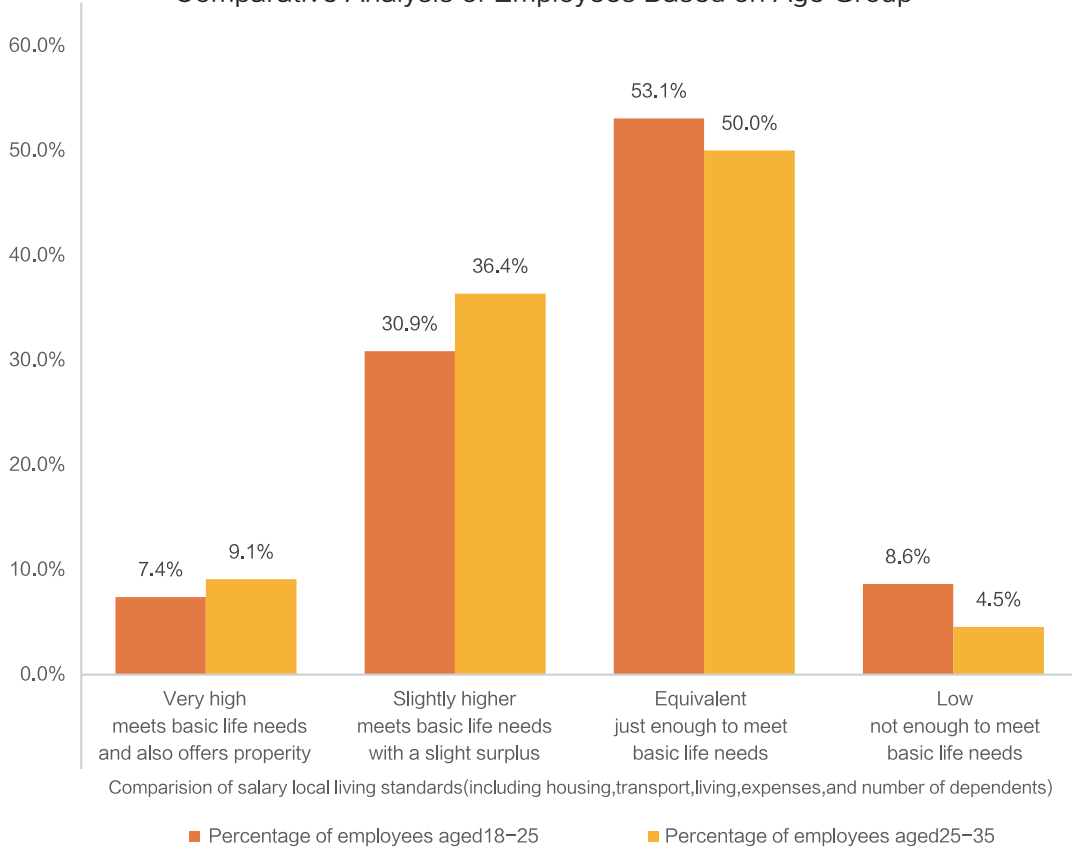


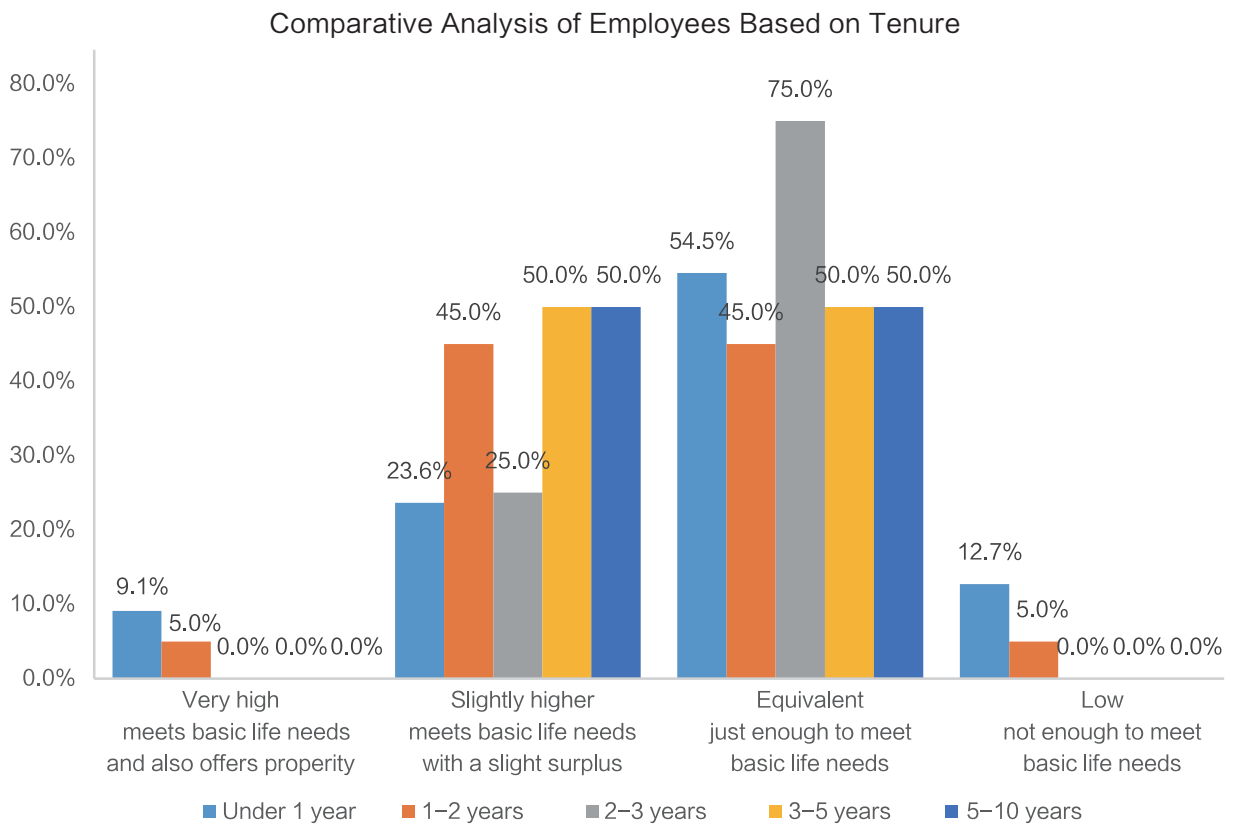
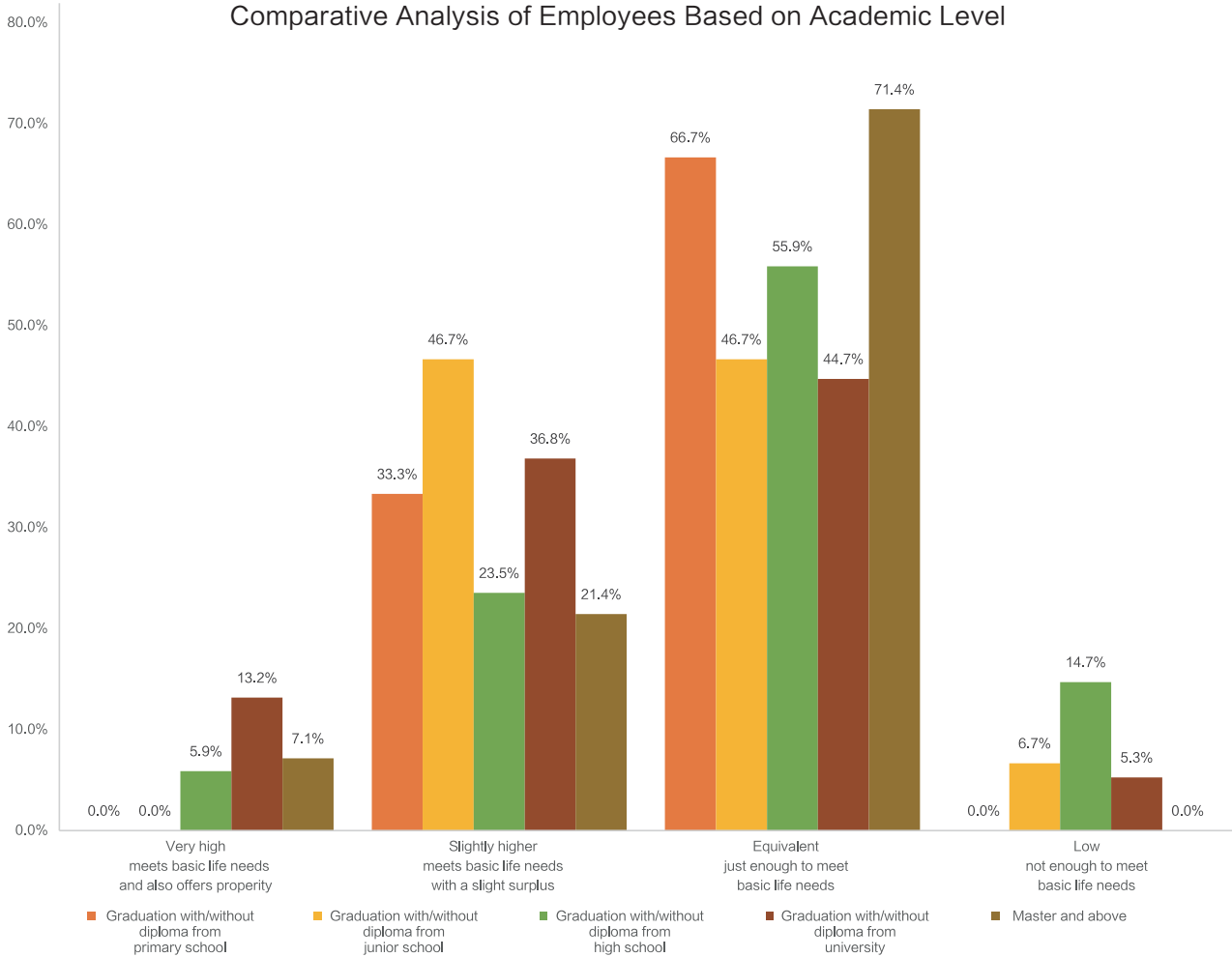
Employee's Background and Salary Satisfaction



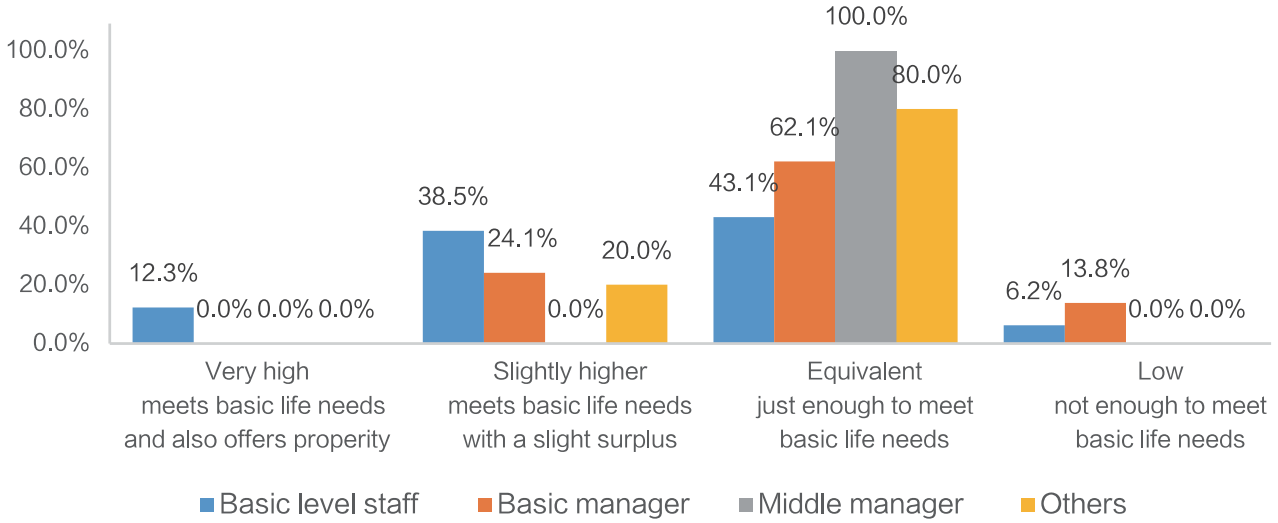
Figures 4: Salary Satisfaction Based on Employee Classification
Comparative Analysis of Employees Based on Age

Comparative Analysis of Employees Based on Age Group

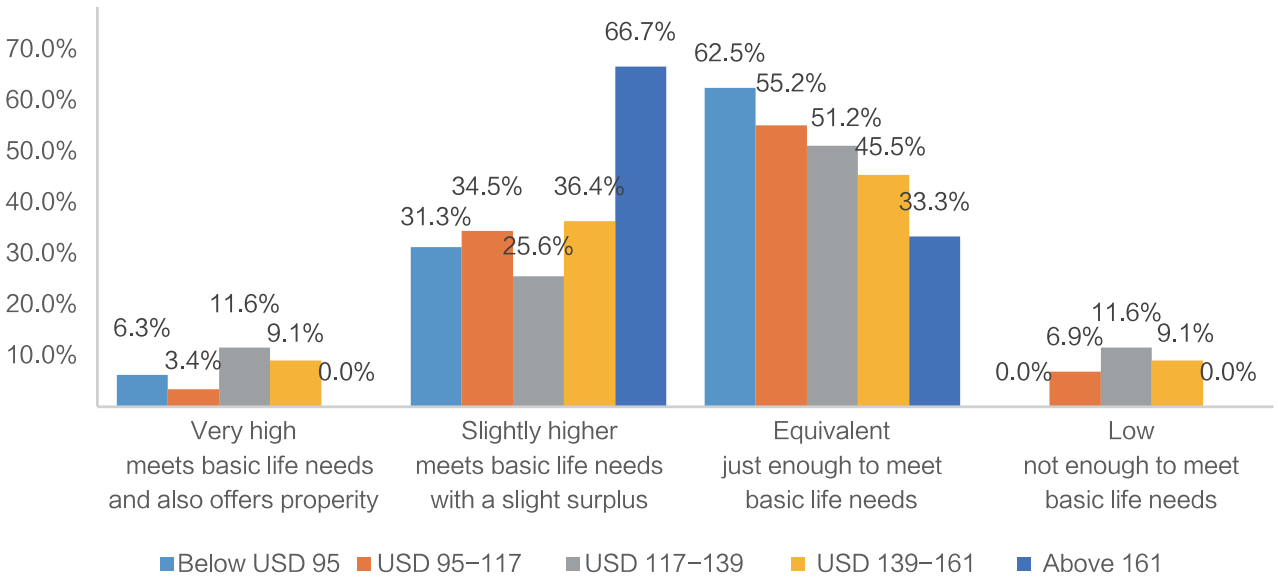




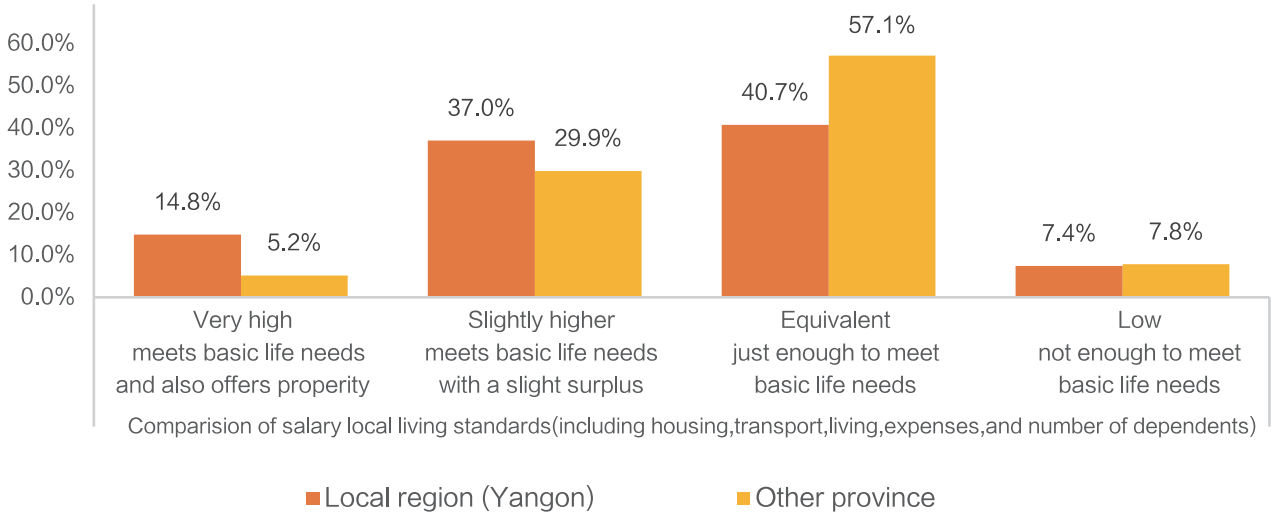
Comparative Analysis of Employees Based on Position



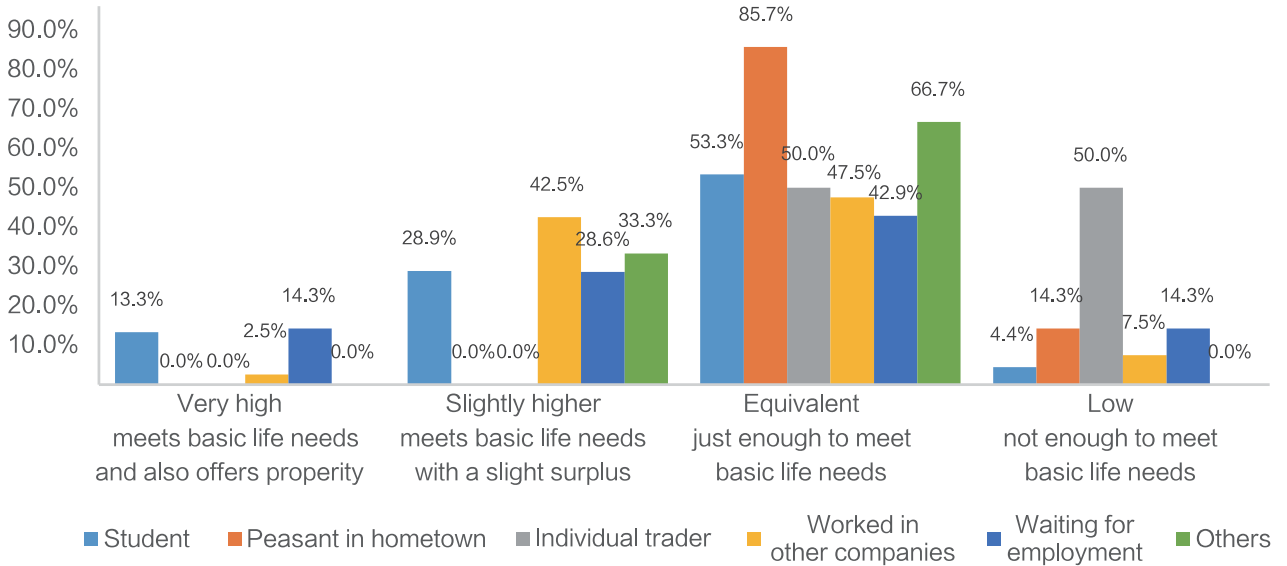
Comparative Analysis of Employees Based on Income



Comparative Analysis of Employees Based on Hometown

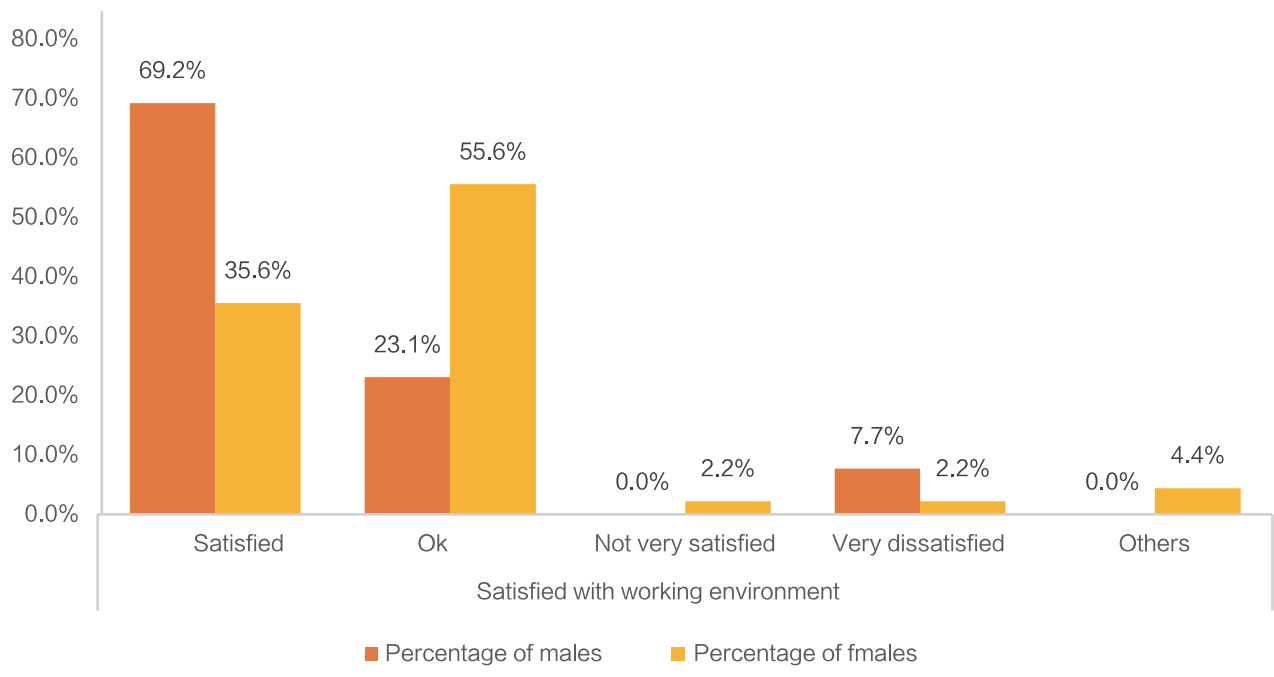


Comparative Analysis of Employees Based on Occupational Background

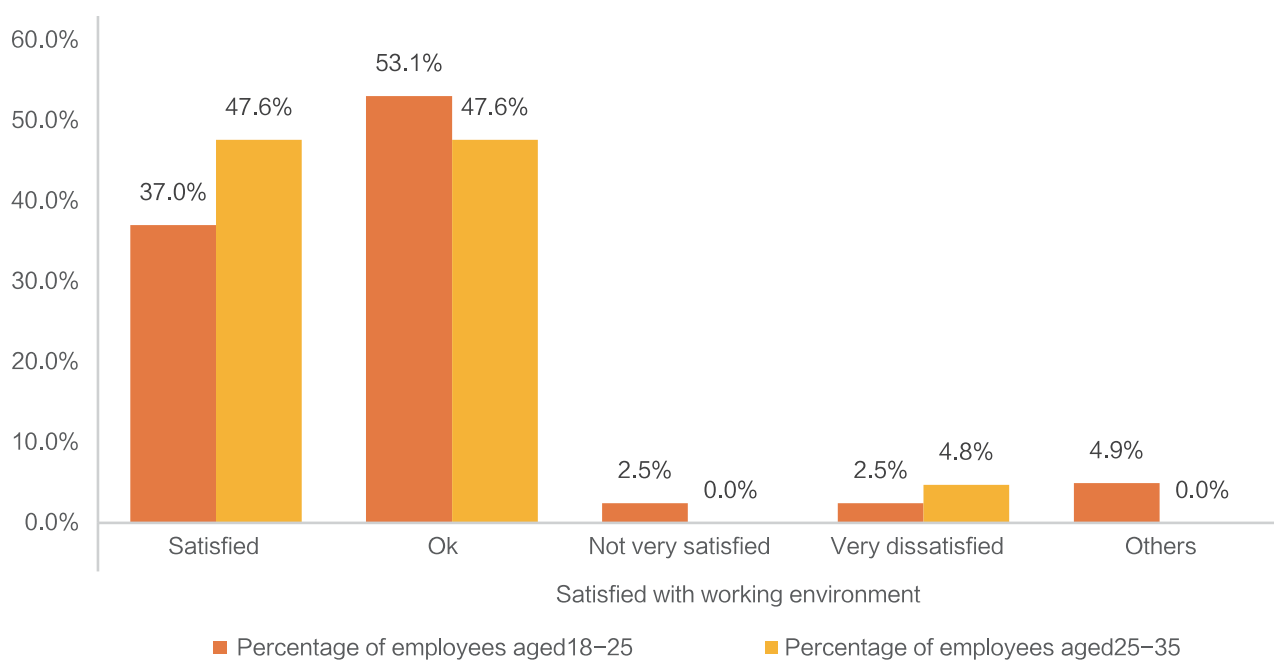


Figures 5: Satisfaction with Working Environment Based on Employee Group

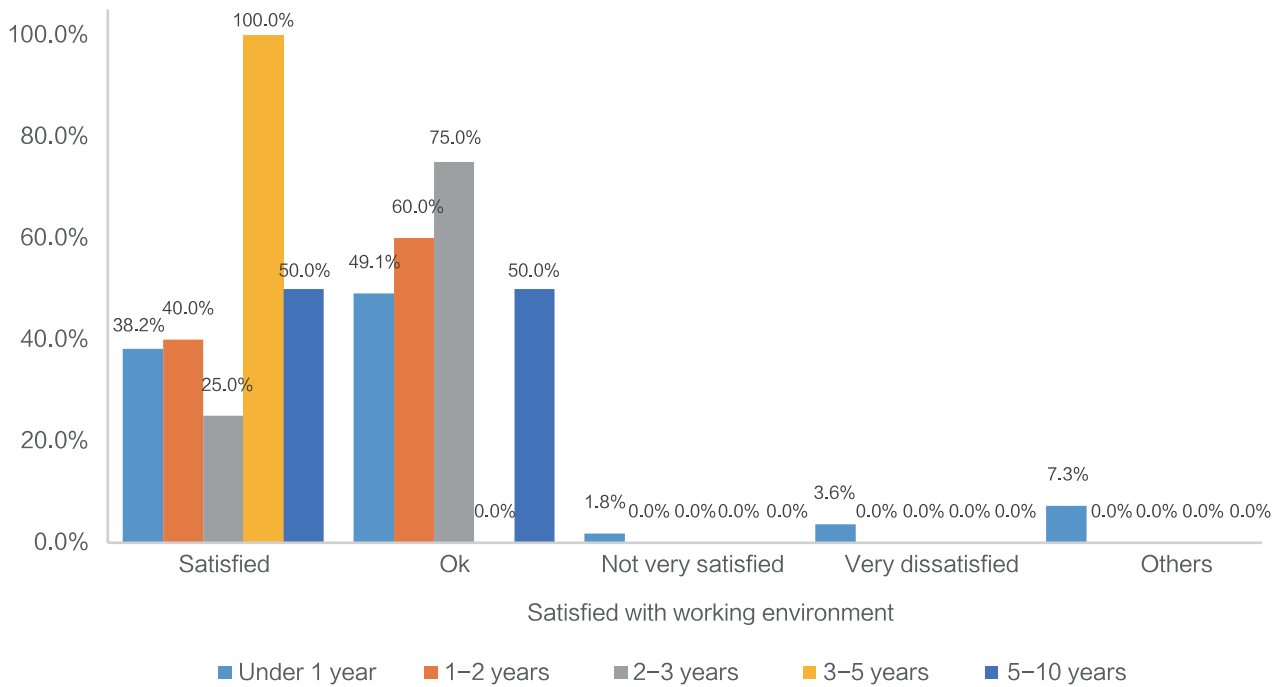
Satisfaction with Working Environment Based on Gender



Satisfaction with Working Environment Based on Age



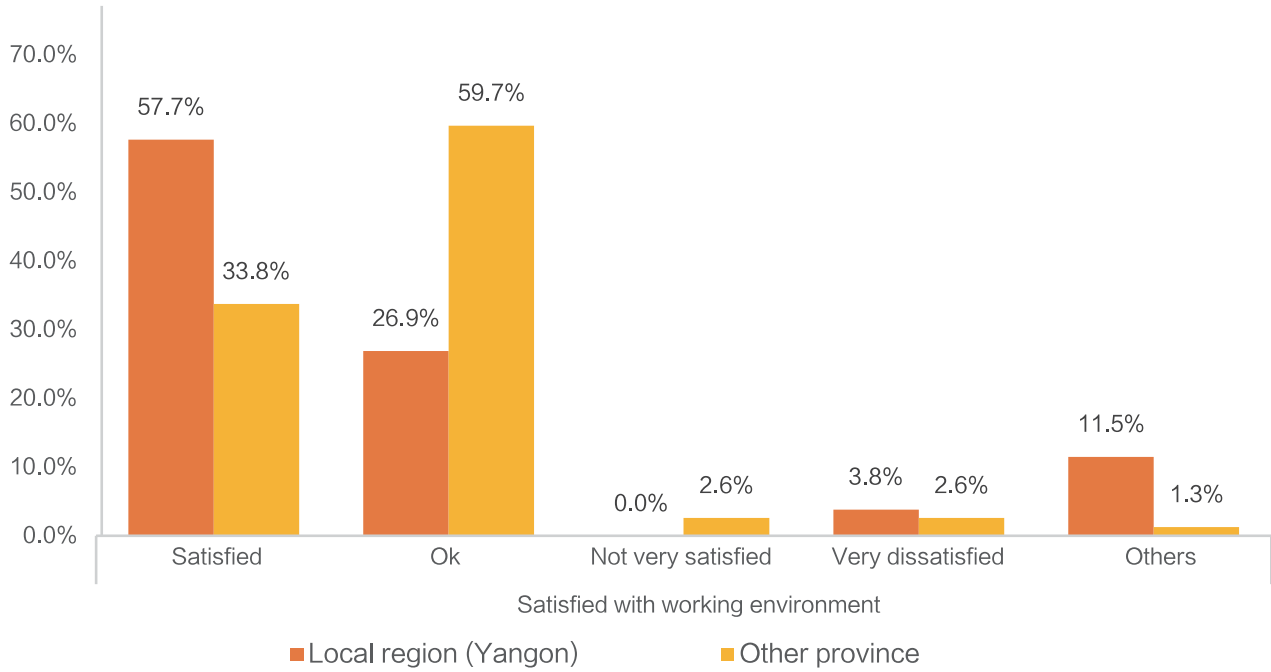
Satisfaction with Working Environment Based on Tenure



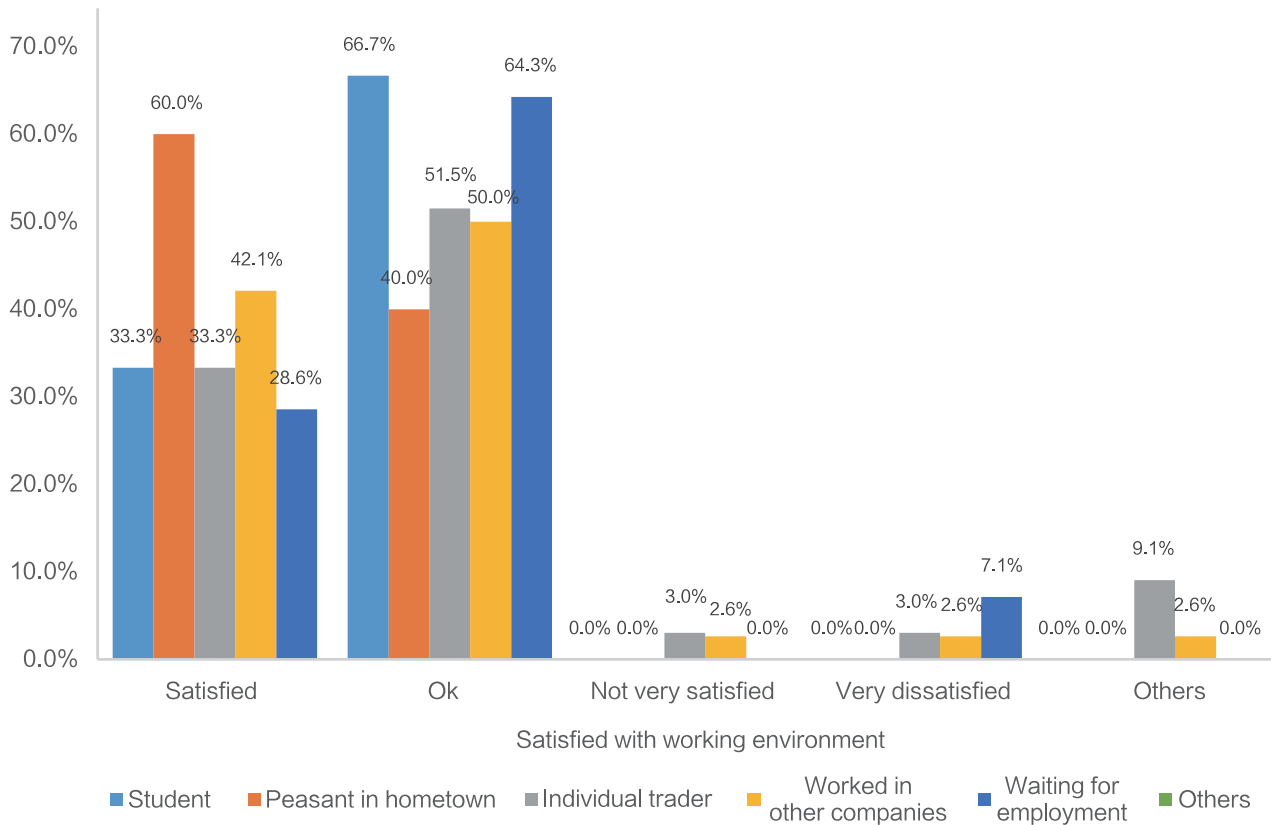
Satisfaction with Working Environment Based on Position



Satisfaction with Working Environment Based on Hometown



Satisfaction with Working Environment Based on Academic Degree



Appendix3: References

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Appendix4: Related Web Sites

The Chinese Embassy in Bangladesh: <http://bd.chineseembassy.org/chn/>

The Economic and Commercial Councilor's Office of the Chinese Embassy in Bangladesh: <http://bd.mofcom.gov.cn>

Website of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA): www.bgmea.com.bd

Website of the Bangladesh Garment Manufacturers Association: www.btmadhaka.com

Bangladesh Investment Development Authority (BIDA): <http://www.boi.gov.bd>

Bangladesh Export Processing Zones Authority (BEPZA): www.epzbangladesh.org.bd

Relevant investment policies of the Ministry of Commerce of Bangladesh: <http://www.bangladeshtradeportal.gov.bd>

Board of Investment (BOI): www.boi.gov.bd

The Chinese Embassy in Myanmar: <http://mm.china-embassy.org/>

The Economic and Commercial Councilor's Office of the Chinese Embassy in Myanmar: <http://mm.mofcom.gov.cn>

Directorate of Investment & Company Administration/Myanmar Investment Commission: <http://www.dica.gov.mm>

Myanmar Garment Manufacturers Association: <http://www.myanmargarments.org>

The Ministry of Natural Resources and Environmental Conservation of Myanmar: http://www.mining.gov.mm/Minister_Office/Default.asp

The Ministry of Labour, Immigration, and Population of Myanmar: <http://www.mip.gov.mm>

The Ministry of Commerce of Myanmar: <http://www.commerce.gov.mm/en>

