



## **Burma Labour Solidarity Organization**

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### PILOT REPORT on ETHICAL PRODUCTION

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#### **Introduction**

Due to the deteriorating economy, the unstable political situation, and the decade long closure of the universities, the unemployment level has dramatically increased in Burma under the military government's rule. Further more, extremely low wages and rocketing commodity prices make it increasingly difficult for the average citizen to provide for their daily needs. Taxes, porter fees, USDA fees, etc. place an additional burden on their survival.

This deterioration of living standards in Burma under the military government has lead to an alarming rise in the numbers of Burmese leaving the country. Those who are able to obtain a passport find work abroad, usually illegally, and send money home. Most Burmese, however, flee to neighboring countries and become part of the growing illegal migrant labor pool there. Those who are forced to escape to neighboring countries such as Thailand, India and China, hope to create a better life for their families. Increasingly many more families are crossing into Thailand including the elderly and children. These families have fled from the different states and divisions of Burma and from both the countryside and urban area.

On June 25, 1996, the Thai government passed a resolution allowing migrants from Burma, Laos and Cambodia to be employed as unskilled laborers in 43 of the 72 provinces, in 7 types of work in 11 sectors. These sectors include agriculture, fishing, downstream industries, construction quarries, pottery and brick industries and in domestic labor. 303,088 migrant workers registered for the twoyear work period. 263,782, or 87%, of registered migrants are people from Burma.

But, after the collapse of the Thai economy and the currency flooding announced by the Thai government in July 1997 the National Security Council and the Labor Ministry announced a policy to deport 300,000 undocumented migrant workers by May 1<sup>st</sup> 1999 .They also announced that there would be no renewal of work permits. The Thai Government implemented its deportation policy of Burmese migrant workers in November 1999, and all Burmese migrant workers were deported by Thai authorities to the Burma border.

Thailand's economic situation later changed, however, and on July 27, 2001 the Labor Minister Dej Boonlong said employers in 10 different types of business hiring Burmese , Laotian and Cambodian workers must now register their foreign employees with the provincial authorities and pay 4500Baht per worker. A total of 559,541 foreign workers were registered in the labor ministry campaign by October 25 2001, paying 1.8 billion Baht in fees to the state.

Of the total 559,541 foreign registered workers, including Laotians and Cambodias, in Thailand, 447,093 were Burmese. 47,489 of these Burmese workers were registered in the Measod area, Tak Province.

#### **Background**

In 1995 there were only 5 garment and knitwear factories in Maesot, Tak Province. Two industrial zones have been developed in Thailand over the last decade because industrialists and employers can hire Burmese migrant workers at very low wages. One is the Maesot area and the other is situated in southern Bangkok.

Japan is the world's most expensive country in which to operate a business due to high labor, rental and expatriate costs, according to a survey by the Economic Intelligence Unit (EIU). After Japan, the United States and Germany rank as being the most costly, mainly due to high labor costs.

**Thailand, however, was ranked as one of the cheapest countries to run a business, ranking 29<sup>th</sup> in the EIU survey of 31 countries; only Hungary and Indonesia placed cheaper. The survey examined labor costs, business travel costs for expatriate staff, corporate taxes, perceived corruption levels, office and industrial rents, telecommunications and transport costs.**

Elsewhere in the region, Hong Kong came in 14<sup>th</sup> place despite having the lowest corporate taxes, followed by Korea and Taiwan. On the other hand, Thailand is deemed to be more stable in its political situation than some of the other Association of Southeast Asian Nations (Asean) countries. Many foreign companies, especially from Taiwan and Hong Kong, have moved to the Maesot area to take advantage of these benefits.

In November 1999, when the Thai government forced the deportation of illegal migrant workers, there were 72 registered factories, including canneries and textile factories, in Maesot, Tak Province.

After the registration period for Burmese migrant workers, on October 25, 2001, it was estimated that there was a total of 120 factories including more than 50 small, medium and large textile industries in the Maesot area, Tak Province.

### **Body of the report**

We estimate that there are nearly 60 clothing factories in the Maesot area including small domestic garment factories.

Regarding footwear industries, there are only two factories owned by Thai businesses in the Maesot area. The products of the footwear are occasionally exported to Australia and Canada. Some of the companies relating to the large garment and knitwear factories are from Hong Kong and Taiwan and some are joint venture companies with Thai businessmen.

Some factories are owned by Thai businessmen. Sometimes, foreign companies lease these factories for operations. For example, the Chow Knitting Industrial Co. Ltd and New Products KnitWear Co. Ltd are included in the list of the largest factories leased for operations. In the last two years, these factories have each employed between 4,000 and 3,000 workers.

In November 1999, most Burmese migrant workers were deported by the Thai government back to Burma. **At that time, 30 industrialists from Hong Kong and Taiwan, who had invested 13 billion Baht in the Maesot area alone,** sent an open letter to the Thai government urging against the mass deportation of Burmese migrant workers. They had established the factories in agreement of the board of investment's promotion agency, and the letter stated that the Thai Government's deportation program totally broke this policy of foreign investment and that it was not fair because they had lost their investments after all the factories stopped work due to the lack of Burmese workers.

Some large companies became business partners with smaller and medium sized factories. During peak production when buyers place big orders and need a punctual delivery, the companies may share quotas with other business partners in the Maesot area. For example, Chow Knitting Industrial Co Ltd has a partnership with the T.S.P. Industrial Co Ltd.

**In the clothing industries, materials and labels were to be imported from the company's original countries such as Hong Kong. The labor is done in Thailand and the finished product is then exported to its final destination such as the U.S.A.**

If a company has a packing section in the factories then it is almost certainly a company that is exporting to the foreign market directly. The Thai Customs Department insists that all clothing made in Thailand must have the words "Made in Thailand" written on the label. Order sizes range, but may be as large as 150,000 dozens.

Before an order is finished, a quality control checker (QC) will be sent by the buyers to check both the quality and that products exactly match the product samples previously sent. American buyers who have placed a big order usually will not accept even the slightest deviation. If a product does not meet the expected quality, it is sent back to the factories.

**475 members of the Thai Government Industries' Association provide 85% of the country's garment exports. Mr. Suchart Chantranakaracha, the association's president said garment**

exports to the U.S. in the first 10 months of 2001 had slumped and had contributed to an 8% fall in the country's total garment exports, down to 3.1 billion dollars in 2001.

The United States is the largest export market for Thailand, accounting for one-fifth of total shipments. Among the top ten export categories to the United States, six declined, led by electrical circuits, computers and accessories, foot wear and footwear parts.

The textile industry employs 843,200 people, representing 2.5% of the work force in Thailand.

### Thai exports to USA

Jan-Oct 2001

Product	Value (US\$ m)	% chng
Computers and equipment	1,371	-17.2
<b>Garments</b>	<b>1,345</b>	<b>-7.4</b>
Frozen shrimp	946	56.7
Electrical circuits	624	-35.7
Gems and jewelery	474	15.4
Televisions, radios and parts	456	-12.2
Rubber products	286	-1.1
Travel accessories	269	-0.6
<b>Footwear and parts</b>	<b>265</b>	<b>-11.8</b>
Furniture and parts	214	-8.7

Source: Business Economics Department, Commerce Ministry

### Top 15 export products

Jan-Oct-2001

Product	Value (US\$m)	% chng
Computers	6,537.5	-6
Electrical circuits	2,976.9	-17.9
Autos and parts	2,707.4	7.2
<b>Apparel</b>	<b>2,417.3</b>	<b>-8.6</b>
Frozen shrimp	1,851.0	49.9
Gems and jewellery	1,495.4	9.8
Plastic pellets	1,421	-10.1
Televisions	1,302.4	-15.9
Rice	1,218.2	-7.7
Natural rubber	1,108.5	-11.5
Air-conditioners	1,045.0	9.4
Rubber products	913.6	1.9
Steel and related products	905.2	-24.9
Electrical appliances & parts	864.9	-4.2
Chemical products	781.4	-21.8

Source: Business Economics Department, Commerce Ministry

**Conclusion**

1. Most of the garment and knit wear companies are from Hong Kong and Taiwan. Some companies are joint ventures with Thai businessmen.
2. Most of these products were exported to the U.S.A.
3. The clothing industry moved to the Measod area because of very low wages in the labour market and because the workers there have no rights.
4. " Made in Thailand" really means, "The Burmese migrant workers made these products".

**Reference**

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