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LABOUR MARKET IN MAE SOT 1990–2017 AND THAILAND'S NEW SPECIAL ECONOMIC ZONE POLICY

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Abstract: This paper concentrates on the migrant labour market in Mae Sot (Thailand). This study is designed to analyze the Special Economic Zone (SEZ) from various sectors and segments of the migrant labour market. The period of the analysis is 1990–2017 because this is a period of rapid development along the Thailand-Myanmar border and the establishment of the Special Economic Zone in Mae Sot. Political, economic, and social aspects are major external pushing factors from Myanmar. The internal factors indicate that in Thailand's economic growth, migrant labour plays an important role as pulling factors. Thailand has launched a long-term policy, aiming to recruit formal migrants and legalize migrant labour to hold a temporary work permit. Factories have already implemented low-cost operations by procuring migrant labourers who come from Myanmar to work temporarily in Thailand. The higher-wage jobs of the Special Economic Zone in Mae Sot are attractive, and migrant labourers come to Mae Sot to work. The large supply of labour from Myanmar is one of the key factors that contribute to the benefit of Thailand in terms of "cheap work-force". Presently, Myanmar's economy is restructuring, and the labour demand is shifting. The migrant labourers are becoming fewer. The future trend of migrant labour in Mae Sot continues causing increasing concern.

Keywords: push and pull factor, migrant labour market, Mae Sot, special economic zone

1 Introduction

Lee [7] has conceptualized the factors associated with the decision to migrate and the process of migration in the following four categories: (1) Factors associated with the area of origin; (2) Factors associated with the area of destination; (3) Intervention obstacles; (4) Personal factors. He schematically indicated the first two factors in a (+) and a (–) sign. The (+) sign stands for the pull factors of an area that acts to hold people within the area or attracts people to it, and (–) sign stands for the push factors in an area that tends to repel people. These two factors work with personal factors to determine the decision-making of migration [7].

Political instability and economic situation within the countries of origin are major push factors. Migrant workers from low-income and poor households look elsewhere for a better life.

This paper uses the "push-pull theory" and historical-structural analysis to understand the phenomenon of industrial development in the Mae Sot area of the migrant labour market and

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how it affects the Mae Sot Special Economic Zone (SEZ). The strong push factors in Myanmar are poor economic activity and lack of job opportunities. Pull factors are economic opportunities, more jobs, and the promise of a better life in Thailand.[1] The question for this paper is about how migrant labour from Myanmar affects the Special Economic Zone's labour market. Will there be more or fewer migrant labourers to migrate and emigrate?

The neo-classical approach to the theory of migration mainly operates because of geographical differences in the demand and supply of the labour market. Regions with a shortage of labour-relative-to-capital are characterized by a high equilibrium wage, whereas regions with a large supply of labour-relative-to-capital face with low equilibrium wages. This wage difference causes a migration flow from low-wage to high-wage regions [15].

The Mae Sot SEZ attracts more immigrants to find jobs from Myanmar. The factories are in Mae Sot, and they hire cheap labour with cost-effectiveness and produce more profit. It has become very common for factories and shops to hire legal or illegal Myanmar migrant labourers. This means that labour demand is significant in the labour market in Mae Sot.

Until the mid-1990s, small-scale businesses were established, and export-oriented textile garment production was initiated in Mae Sot. During the Asian financial crisis of 1997, bigger factories were put up and focused on production in the border town of Mae Sot. The garment industry aimed to reduce production costs by hiring migrant labourers [5].

The Mae Sot economic growth is significant because of the contribution of migrant labourers. The Thai economy is heavily dependent on export, and two-thirds of its gross domestic product are from export. Trade across the border with Myanmar is the largest portion of the Mae Sot economy. Cheap labour from Myanmar contributes to higher value-chain manufacturing in Thailand. The daily wage of migrant Burmese labourers in the SEZ is lower than that of Thai labourers but higher than daily minimum wages in Myanmar. They work for export. The dominant industrial sectors are labour-intensive industries such as textile and manufacturing sectors.

The question for this paper is about how migrant labour from Myanmar affects the Special Economic Zone's labour market. Will there be more or fewer migrant labourers to migrate?

The majority of migrant labourers first came to Special Economic Zone to have a satisfactory income. After gaining enough money, they will consider returning home, but their plan for returning has a longer time frame.

[1]In an integrated approach, Supang Chantavanich described the impact of transnational migration on the border community in Mae Sot by examining the economic, social, cultural, political/legal, and health impacts of the increasing labor migration (Supang 2008). Dennis Arnold also examines the political economy of Mae Sot, with an eye on local and state-level authorities and agencies that operate to maintain the Special Border Economic Zone, the legitimizing of cheap labour and labour conditions, and how workers have coped in the face of this (Arnold and Hewison 2005; Arnold 2007).

2 The birth of the Mae Sot Special Economic Zone in 2015

“Establishment of the SEZ was a major priority and will be launched in early 2016”, said Thailand’s Deputy Prime Minister, General Prawit Wongsuwon [12].

Firstly, the main objective of the SEZ is to attract foreign direct investment (FDI) in manufacturing, which will generate employment, improve living conditions through income distribution, improve border area security, and enhance Thailand’s competitiveness with the ASEAN Economic Community (AEC) 2015 of the SEZ.

Secondly, Mae Sot is a vital gateway bringing trade, investment, and tourism to Yangon, Myanmar, and a manufacturing base for the Myawaddy SEZ in Myanmar, located just 10 kilometres away. There is a great possibility for establishing parallel projects with SEZ projects in Myanmar that will help enhance bilateral trade and investment. Mae Sot is a destination for low-skilled workers from Myanmar. These workers are essential for labour-intensive industries, such as textiles, apparel, and leatherwear.

The Mae Sot SEZ is one of the most important points for strengthening competitiveness in the Greater Mekong Subregion corridor. Over the last decade, Mae Sot grew rapidly, due primarily to an abundance of low-cost migrant labourers from neighboring country Myanmar. This leads to a strategy for relocating labour-intensive activities. In this context, there has been a renewed interest in the development of the SEZ at Mae Sot, particularly with the clustering of garment and textile factories.

Mae Sot has emerged in recent years as a production base for labour-intensive industries, particularly garments driven by global and domestic demand. Until the mid-1990s, the profit rates for garment and textile firms reduced like those of many other labour-intensive industries and activities in Thailand. This led to the relocation of many Bangkok garment producers seeking lower costs in Mae Sot. The key attraction was low-wage labour from Myanmar, including Karen workers, who crossed over-land daily from Karen State, and workers from nearby (Thai-Myanmar border) refugee camps. Approximately 470 garment factories were located in Mae Sot, mostly from Bangkok, employing more than 20,000 (daily) migrant workers from Myanmar An important factor for the relocation decisions of these firms was the excellent road connecting Mae Sot to Bangkok, providing easy access to the domestic Thai market and through Bangkok Port and Laem Chabang Port to export markets. The garment factories are small- and medium-scale enterprises (SMEs) with 20–200 employees. The bigger factories (50–800 workers) are from Hong Kong and Taiwan. The smaller factories (20–50 workers) are generally Thai-owned [1].

In the 1990s, Mae Sot was included in the Thailand Board of Investment’s Zone 3, which includes zones in the border peripheries with tax privileges. It is also strategically located in the East-West Economic Corridor of the Greater Mekong Subregion. In 2002, a cabinet resolution under the Thaksin administration declared Mae Sot a Special Border Economic Zone, encouraging investment, industry, and trade. There were also calls for an expansion of infrastructure, tax and customs privileges, and relaxing of labour restrictions. Together with the border trade and the influx of cheap labour, further investment was lured to the area. However, the resolution did not involve structural change. Before 2003, cross-border trade was mostly unregulated, and little investment occurred on the Myanmar side of the border due to restrictive policies for the response. In 2008, the Myanmar government established a border trade zone in Myawaddy, Myanmar, with storage facilities and land designated for factory and warehouse construction. In 2011–2012, following reforms in Myanmar, the two governments collaborated in promoting Myawaddy – Mae Sot as a Special Economic Zone supporting cross-border trade.

3 How and why Mae Sot grew – push and pull factors

It is clear that the external factors of the labour market are political, economic, and social pushes from Myanmar, and the pull factor is the rapid growth, job opportunities, and wage differences between the Mae Sot SEZ and Myanmar.

Push factors from Myanmar

The migration of the workforce from Myanmar to Thailand is mainly related to the economic, social, and political situation in Myanmar. For many decades, Myanmar faced a deteriorating economy, rampant inflation rate, limited employment and educational opportunities, and heavy taxation. Besides, the escalating commodity prices for basic necessities can cause people to become caught in a cycle of debt. Limited job opportunities could not lift people from poverty [11].

Rural people from ethnic groups are often victims of forced migration and forced relocation due to development projects such as building dams, gas pipelines, and large-scale agricultural projects. People residing in areas where there is still ethnic opposition to the regime are often subjected to rape, torture, extrajudicial killings, and forced labour. [2]. Furthermore, heavy taxation imposed by the local officials and military authorities compels local farmers to sell the crops far below market prices. In some cases, crop surpluses are confiscated without payment. In this context, armed conflict-related threats, landmines, and military attacks against villages are prevalent in ethnic states.

Political instability and the economic situation within the countries of origin are major push factors for labourers to immigrate from low-income and poor households to find other places for a better life. Myanmar's economy declined under the "Burmese Road to Socialism" (1962–1988), with uprisings in 1988 and again in 2007. After refusing to recognize election results in 1990, the Burma Socialist Program Party reformulated into the State Law and Order Reconciliation Council (SLORC), which led to a better relationship with Thailand and an opening of its economy and borders to foreign investment. Myanmar ceased fighting with some ethnic minority-based armed opposition groups because of a strategic source of natural resources, including hydroelectric power, teak, gems, natural gas and oil, particularly for China, and a source of cheap labourers throughout Thailand.

All the factories were located on the Thai side. Myanmar migrant labourers moved to the Thai side and worked [6]. This is due to an inferior business and investment climate in Myanmar. Moreover, in Myanmar, there are many restricted regulations, explicit and implicit, imposed on foreign firms. This results in many garment factories being located in the border town of Mae Sot. Before 2015, the Myanmar Government controlled external trade strictly, particularly through export and import licenses, an export-first policy, trade bans on certain items, and unexpected closure of border gates. It also restricted foreign currency transactions, which created a large difference between the official rate (six kyats per US dollar) and the black-market rate (1350 kyats per US dollar) (average rate in 1962–2012).

Moreover, the Myanmar government frequently changed rules and regulations without prior consultation with the business sector or even prior notice, which seriously undermined the stability and predictability of Myanmar's business environment. The strong push factors in Myanmar are poor economic activity and lack of job opportunities.

Pull factors from Thailand

The rapid growth of Thailand's economy in the last decades attracted migrant labourers. In the early 1990s, the country moved from low-end, labour-intensive operations to more capital- or technology-intensive manufacturing industries. Therefore, a large number of Thai labourers want to work in the skilled labour market to support the country's rapid economic growth. This, in turn, created labour shortage at the low-skilled level. As a result, during the past decade, the private sector put pressure on the government to allow the industry to employ migrant labourers [3]. The ILO 2006 states that "since the mid-1990s, Thailand actively promoted the decentralization of both foreign and domestic industrial investment to rural areas, away from Bangkok and its heavily industrialized suburbs".

Thailand has become one of the most developed countries in the Greater Mekong Subregion in recent years. It has created more employment opportunities and higher wages than any of its neighbors. The high demand for low-skilled labourers for the labour-intensive industries attracts migrant labourers, especially from Myanmar. This is due to the poverty-stricken situation and limited options for gainful employment in the country.

The push and pull factors that characterize this labour migration pattern still exist despite recent developments at the national level. The GDP per capita in 2013–14 was $974.69 in Karen

State[2], compared with $2,532 in Tak province Thailand[3]. Wages in Myanmar have remained stagnant, while Thailand passed a new legal daily minimum wage of 300 baht (approximately $10) in January 2013—a further incentive for labour migration from Myanmar. Currently, there are 2.5 to 3 million migrant labourers in Thailand. In 2005, Tak province had 464 factories with 36,821 workers (Table 1). Among them, 235 factories, or 51%, were located in Mae Sot, employing 31,876 labourers or 87% of the total workforce in Tak Province. These figures imply that most labour-intensive industries are in Mae Sot. The textile and garment (hereafter call "garment") sector is labour-intensive. The capital-labour ratio of the garment industry was also among the lowest. These figures indicate that the Mae Sot labour market is one of the places where abundant Myanmar migrant labours are available and employable.

Table 1. Number of factories by sector in Tak Province, 2005

Sector of industry	Number of factories	Number of employees				Capital-labour ratio
		Male	Female	Total	Per factory	
Agricultural	78	231	85	316	4	354
Food	37	357	382	739	20	89
Beverage	4	24	15	39	10	144
Textile	58	5940	11,330	17,270	298	15
Garment	55	1046	8573	9619	175	13
Leather	7	159	651	810	116	17
Wood	17	553	280	833	49	31
Furniture	7	287	35	322	46	33
Paper	1	29	13	42	42	1414
Printing	2	8	1	9	5	159
Chemical	2	10	10	20	10	11
Petrochemical	5	69	13	82	16	217
Robber	4	7	0	7	2	109
Plastic	4	42	31	73	18	232
Non-Metal Products	63	1640	1483	3123	50	149
Metal	1	397	33	430	430	2589
Metal Products	13	132	66	198	15	48

[2] Profile of Kayin State (Facts and Figures), Source: (1) Planning Department, General Administration Department, Settlement and Land Records Department, Myanmar and (2) Ministry of Agriculture and Irrigation, Settlement and Land Records Department, Myanmar, and FAO, "Report on Myanmar Census of Agriculture, 2010.

[3] https://en.wikipedia.org/wiki/List_of_Thai_provinces_by_GPP.

Sector of industry	Number of factories	Number of employees				Capital-labour ratio
		Male	Female	Total	Per factory	
Machinery	11	47	2	49	4	97
Electrical	2	18	135	153	77	12
Transportation	40	285	30	315	8	242
Others	53	1200	1172	2372	45	549
Total	464	12,481	24,340	36,821	79	100

Source: [14]

4 The growth of export-oriented textile manufacture after 1990: The international context of Chinese expansion and rising labour cost

The end of the Cold War led to the turning point in the global economy. The opening and growth of China as a major producer for world markets and the rapid expansion of the SEZs located in southern China were particularly important. In the early 1990s, large capital investment flowed into the coastal regions of China, from Hong Kong and Taiwan, resulting in an unprecedented expansion of productive capacity across the Pearl and Yangtze River Deltas. The consequence was the development of continental-scale production networks that mobilized massive migrant labour to flow from the countryside to the industrial centres.

In newly industrializing economies in Asia and Latin America, transnational corporations out-source lower-cost global production. One result was an expansion of infrastructure projects that depended on large-scale labour migration. That generated enormous tensions in local economies over the consequences of economic integration and the social transformation of the resulting labour markets. These tensions emerged, particularly in China's new industrial export economy. The "China Price"–the lowest price possible–was possible because of low-cost labour migration to the Yangtze and Pearl River Deltas. The "lowest price" policy was driven by textile and garment production. However, the effects rebounded recently in ways that threatened to destabilize social and economic conditions in China and neighboring countries like Myanmar.

China embarked on a "triple policy" to weaken its dependence on the low "China-Price products" and to reduce the dependence of rural areas on migrant labour flows. First, low-wage assembly industries were encouraged through subsidies, contracts, and infrastructural development to relocate to the Western and Northern provinces of China from which migrant workers have traditionally come from. Second, low-wage assembly work is also outsourced to low-cost production centres in southern Asia, particularly under the auspices of emerging large-scale Chinese manufacturers and networks. Third, Chinese manufacturers encouraged an upgrade in production and working conditions to brand Chinese goods for national and international markets. This policy is in effect in Myanmar in the context of rising Thai labour costs.

In this context, export-oriented textile garment production in Mae Sot began in the early and mid-1990s. The growth of the industry in Mae Sot was influenced by rising wages in Bangkok and central Thailand. In Mae Sot, there is an abundant reserve of Myanmar migrant labour paid a third to half of Bangkok wage, tax incentives[4], quality road infrastructure between Mae Sot and Bangkok-ports, loose to no enforcement of other labour, and occupational health, safety, and environmental regulations.[5] Garment production is concentrated on low-value-added products where the global competition for low cost is tight, and profit margins are small. These segments of the industry are often associated with nomadic buyers and producers who search for the lowest cost contracts and labour harmony in countries that offer attractive investment incentives, like tax holidays, quality infrastructure, and trade facilitation to lower total landed cost of the product. Mae Sot's SEZ labour market supply of Myanmar migrant labour is a quintessential example of a garment-producing centre.

One of the biggest factories in the Mae Sot SEZ is Top Form Brassiere Co. Ltd. established the first factory in Mae Sot, Thailand in 1988, and exported globally. It is a Hong Kong-based company. The factory's products are mainly for the USA market. Their capacity in Thailand accounts for over 50% of global capacity, and today it employs over 4,000 workers. Most of the employees come from Myanmar [16].

Another manufacturer is the Saha group garment factory established in 2007 in Mae Sot. In 2015, the group also began making plastic products for export to Myanmar. The group benefits result from the Myanmar workforce, and one-third of the plastics products sold in Myanmar is made in Thailand. The comparative level of wages in Thailand and Myanmar is different. Moreover, in Thailand, the workers in Mae Sot have smaller wages than those in other districts, but they earn more than daily minimum wages in Myanmar. This indicates that the factories moved to Mae Sot to benefit from the low-paid workforce.

[4]Royal Decree No.591, came into force on 10 September 2015, granted a reduction of the corporate tax rate to 10% for 10 years on income earned from manufacturing goods or services rendered and to juristic entities with a place of business in the SEZ, regardless of where their head offices are situated.

[5]Occupational Safety, Health, and Environment Act, B.E.2554 (2011).

Table 2. Comparative wages of Myanmar and Thailand in 2008 and 2016–2017

Country/Region	Daily minimum wage 2008		Daily minimum wage 2016–17	
	Local currency	**$US**	**Local currency**	**$US**
Thailand				
Bangkok	203.00 THB	6.42	310.00 THB	10.00
Chiang Mai	168.00 THB	5.31	308.00 THB	9.93
Khon Kaen	150.00 THB	4.74	308.00 THB	9.93
Tak/Mae Sot	147.00 THB	4.65	305.00 THB	9.83
Myanmar	500.00 MMK	0.50	4800 MMK	3.61

Source: Ministry of Labour Thailand and Myanmar 2008, 2016–2017 data

5 Migrant labour policy developments in Thailand

There was a lack of policy to allow low-skilled workers from neighboring countries to legally work in Thailand before 2003. Migrant workers stayed in the country under irregular situations and worked in the country illegally. This contributed to a large pool of illegal migrant labourers in Thailand. It is difficult to obtain an exact figure for the total number of migrants working in Thailand. As of 2011, around 2.5 million migrants from neighboring countries lived in Thailand, of which 1.5 million were irregular [17]. To accommodate the needs of employers and industry for migrant labourers, The Royal Thai Government (RTG) established a registration process for migrants to be employed as labourers or home servants in the 1990s. The registrations were initially carried out at the provincial level. When the first national registration took place, 1.28 million migrants reported to the authorities. This national registration process has been regarded ineffective due to the plummeting registration figures and the increasing number of unregistered migrants.

A step forward in Thailand's migration policy was taken in 2002/2003 with the Memoranda of Understanding (MOU) on Cooperation in the Employment of Workers signed with three neighboring countries, namely Lao People's Democratic Republic (signed in 2002), Cambodia, and Myanmar (both signed in 2003). The MOUs established a legal channel for low-skilled migrants from these countries to enter Thailand for work purposes. This was the first time that Thailand and neighboring countries entered into bilateral discussions regarding the high flows of irregular migrants across their borders. Detailed procedures for the recruitment of migrants in the countries of origin and hiring in countries of destination were subsequently developed through a series of bilateral meetings involving the relevant countries. However, in July 2013, only 139,000 migrants living and working in Thailand entered through the MOU procedures.

The Thai government officers estimated that the number of unregistered migrant workers increased every year from 1.5 million in 2001 to 3 million in 2006. They were from Myanmar, Cambodia, and Laos (Table 3). This indicates that, on the one hand, the lack of policies toward a large number of unregistered workers as well as the government's failure to control the flow of migrant workers in the past. On the other hand, this could be viewed as the government implicitly endorsing the employment of illegal migrant workers.

Table 3. Registered and unregistered migrant worker in Thailand during from Myanmar, Cambodia, and Laos during 2001–2006

	2001	2002	2003	2004	2005	2006
Registered	568,293	409,339	288,780	849,552	705,293	460,014
Unregistered (Estimate)	931,711	1,590,661	1,711,220	2,711,220	2,294,707	2,539,986
Total migrant workers (Estimate)	1,500,000	2,000,000	2,000,000		3,000,000	

Source: Ministry of Labour and International Labour Organization Statistics

The MOU allowed Thailand to import Myanmar workers through official channels [4]. The government of the source country recruits and selects migrants to fill the jobs and arranges for Myanmar passports so that they could receive entry visas at an appropriate Thai embassy or consulate that maintains the control. Migrants travelling to Thailand and reporting to their Thai employers were granted two-year work permits that could be renewed once and were entitled to the same wages as Thai workers. The MOUs were signed in 2003 but did not come into effect until 2009, and the annual migrant registration program remained the main policy tool for controlling migrant workers.

The national verification was implemented in 2009, and the policy of formal recruitment started. This is a step towards implementing "regularization" strategies. The regularization strategies employ two methods for legalizing irregular migrant in Thailand: (a) import of workers directly from neighboring countries with temporary passports; and (b) nationality verification (NV) of registered workers already working in Thailand to enable them to acquire legalized status after they were issued temporary passports by Myanmar. Those who resided illegally in Thailand needed further verification of nationality to become legal migrants by February 2010. Migrant workers who did not enter the national verification, and all irregular migrants were to be deported from the Kingdom. This NV process involved a large number of workers (1.3 million).

By 2014, Thailand had a total migrant worker population of 2.23 million, including 1.82 million, who entered the country illegally. Of the total, approximately 1.74 million were from Myanmar, 395,000 from Cambodia, and about 96,000 from Laos.

According to the recent statistics from the Ministry of Labour on registered migrant labour, 76 percent of the migrant workforce is from Myanmar [4]. This percentage corresponds to around 2.3 million Myanmar migrants working in Thailand today (Table 4).

Table 4. Statistics for migrant Labours in Thailand [9]

Nationality	(1)	(2)	(3)
Myanmar	724,684	183,780	769,336
Cambodia	387,542	146,467	100,578
Lao PDR	68,324	40,467	62,225
Total	**1,177,550**	**370,714**	**932,139**

Note: (1) Number of migrant labour registered under the Cabinet Resolution; (2) Number of migrant labourers with valid work permits who have entered Thailand through the MOU process; (3) Number of migrant labourers from the previous Nationality Verification Process remaining in Thailand.

Source: Ministry of labour, migrant population in Thailand

On June 23, 2017, Thailand's military government issued a new Royal Decree on Managing the Work of Aliens B.E. 2560 (2017) (Royal Decree) [18]. It canceled and replaced the two main pieces of legislation regulating foreigners working in Thailand, namely the Royal Decree on Bringing Alien to Work in the Kingdom B.E. 2559 (2016) and the Alien's Work Act B.E. 2551 (2008) (collectively the Previous Legislations). The Royal Decree still upholds the main requirements and principles of the two previous laws but brings the provisions up to date and addresses some new issues to reflect the current situation in the country.

According to this new law, the undocumented migrant labourers returned to Myanmar approximately 4,500–6,000 people per day in July 2017[6]. Tak Chamber of Commerce advisor Chaiwat Withit-thamma-wong said that "the new law is good for Thailand in the long run in terms of tackling problems resulting from a large number of illegal migrant workers in the country" [13]. Business groups in Thailand said that the new labour law harmed Thailand's economy. These regulations caused an exodus of foreign migrant labourers, which severely affected the businesses that depended on the hiring of migrant labourers from Myanmar.

6 Discussion: Mae Sot SEZ and the future

The paper used the "push and pull theory" and historical structural analysis to understand the phenomenon of industrial development in the Mae Sot area and migrant labour, and how it affected the Mae Sot Special Economic Zone. This discussion focuses on two parts: the context of continued Thai growth and the context of Myanmar ceasefire and peace.

[6] Interview with township labour officer from Myawaddy, Myanmar in 2017

The context of continued Mae Sot, SEZ growth

The Thai Government gave the Mae Sot Special Economic Zone a high priority because of its huge economic potential.[7] Mae Sot, as an important border town, raised Thailand's total cross border trade bill by 12.30% in 2013–2014.[8] The annual report from the Mae Sot customs office said that the cross border trade in the 2015 fiscal year, ended on Sept 30, is 66.8 billion baht. The greatest potential of Mae Sot SEZ is its proximity to a trade-friendlier Myanmar, which makes it ideal for businesses to import raw materials from or export merchandise to Myanmar. In addition, the labour-intensive industries operating in Mae Sot SEZ are now being facilitated by more lenient labour regulations, i.e., Thai businesses have permission to employ foreign workers entering and exiting Thailand daily, and privileges include incentives such as corporate income tax exemption, import traffic exemption, and double taxation deductibles on expenses. The potential and privileges enable the Mae Sot SEZ to become a new economic hub for investors in various labour-intensive industries.

The context of the Myanmar ceasefire and peace

The labour migration from Myanmar to Thailand has increased since the 1990s. As Myanmar emerges from decades of military rule, international labour migration is increasingly viewed as a means of economic development at both the household and the national levels. Buoyed by thawing international relations and increasing regional integration, particularly since the ascension of Aung San Suu Kyi and the National League for Democracy (NLD) to power in March 2016, Myanmar has experienced a rise in labour migration. In the past, poverty, under-

[7]Mae Sot Special Economic Zone (Mae Sot SEZ) is a pilot SEZ that the government is giving a high priority because of its huge economic potential and the fact that it borders with Myanmar. Mae Sot's importance as a border town has risen over recent years because its export share of Thailand's total border trade rose 10 percent in 2014, versus just 3.7 percent reported in 2011. The greatest potential of Mae Sot SEZ is in its proximity to Myanmar, which makes it ideal for businesses wanting to import raw materials from, or export merchandise to Myanmar. In addition, labour-intensive industries operating in Mae Sot SEZ are now being facilitated by more lenient labour regulations, i.e., permission to employ foreign workers entering and exiting Thailand daily, plus various tax privileges, e.g., a corporate income tax exemption, import tariff exemption and double taxation deductibles on expenses. Industries eligible for those privileges must be: 1) target industries of the Committee on the Special Economic Development Zone Policy, i.e., labour-intensive enterprises; and, 2) industries under the investment promotion program of the Board of Investment (BOI). Nevertheless, normal industries not eligible for BOI investment promotion privileges are still entitled to corporate income tax exemption from the Revenue Department. The potential and privileges there will enable Mae Sot SEZ to become a new economic hub for investors in various labour-intensive industries, especially Thai SMEs, seeking to expand into Myanmar, but are not ready to cope with investment risk abroad, and/or do not have strategic partners in any CLMV state. Three business types that could benefit from Mae Sot SEZ include 1) local traditional businesses; 2) businesses that can begin operations there immediately; and, 3) businesses with significant potential. (www.kasikornresearch.com)

[8] Percent reported in 2015

development, political instability, and human rights abuses were factors pushing people to leave Myanmar. In a speech given during a visit to a displaced migrant labour community in Thailand in May 2012, Burma's leader, State Counselor Aung San Suu Kyi announced that she would bring those people (whom she considered as her sons and daughters) back home once reforms in Myanmar were completed.

The partial signing of the 2015 nationwide ceasefire agreement is regarded as the first step towards peace, but the situation in Myanmar remains fragile. The armed conflict in the north of the country continues to intensify, while fighting also occasionally flares up along Southeast Myanmar. Decades of armed conflict have produced over 640,000 internally displaced persons (IDPs), while over 96,000 refugees continue to reside in camps along the Thailand Myanmar border. In addition, land-grabbing is endemic across the country, contributing to further displacement and migration of the most vulnerable and marginalized people.

7 Conclusion

The finding of the paper is that Mae Sot is a classic example of export-led growth, as parts of Thailand's economy taking advantage of cheap unskilled labour starting in the 1990s. Thai and other entrepreneurs in the garment industry and other labour-intensive activities have used daily labour from Myanmar to reduce their wage bills to make much more profit. In 2016, these enterprises were overwhelming Thai firms using domestic inputs and sources of finance to produce goods for the Thai market. The Mae Sot SEZ is a mechanism for distributing development to the local area and connecting Thai and Myanmar economies. Improving economies in neighboring countries affect the Thai labour market.

Mae Sot has developed fast after 1990 because of the cheap labour from the neighboring country. On the one hand, cheap labour incentivizes the factory owners to hire migrant workers from Myanmar. On the other hand, the more highly-paid jobs in Mae Sot SEZ are an attraction to Myanmar's migrant labour. Especially, owners from China take advantage of this to produce low-cost products and maximize the profit. The migrant workers came from Myanmar because of the wage difference between Myanmar and Thailand. Myanmar's daily wage is $6, and Thailand's daily wage is more than $10. The range of minimum wages is an important factor in migration. The migrants' wage sent back was mainly spent on household daily expenditure because the daily difference in wages is more than $6 (90000 MMK) per day. The important task is the future demands in Myanmar's labour market. The same minimum wages with the neighboring country can prevent the unskilled labourers leaving the original country to host the neighboring country. Many migrant labourers are ethnic minorities and people from poor divisions. If they have a chance to benefit from the economic development in their hometown, they will not migrate.

Migrant Labour policy is an important component of a country's policy framework. It is the efforts in economic and social development. This is the government policy, aiming at improving the ability of people within the labour market of the country involved to meet the demands put upon them. This research shows that presently there are still a lot of uncertainties. The increased supply of labour from Myanmar strengthens the labour-intensive industry in Mae Sot. This strength arises from the opportunity granted to Thailand by push factors from Myanmar. The current new labour regulations of migrant labour policy in Thailand have a weakness. Additionally, the possibility of economic development in Myanmar presents a threat to this labour supply.

In summary, the main problem is that the government cannot control the irregular migration of labour because of the border situation. The Mae Sot SEZ is in the border area of Thailand and Myanmar. In terms of the border situation, how soon and at what speed the changes in the migration patterns of Myanmar. The current trend is that the migrant labour in the SEZ labour market affects the development of Mae Sot's economy. Labour-intensive industries could be increasingly dependent on migrant labour as a new generation of labour market.

Currently, the recommendation is that the Government-to-Government engaging MOU system to employ migrant labour is effectively organized. However, due to the economic and political situation in Myanmar, the Thailand labour market will long remain an attractive destination for the migrant labourers who are legal and illegal, with or without MOU. In this situation, both Myanmar's and Thailand's government should be reconsidering the current migrant labour management policies to solve the entering of illegal workers in the labour market. Factories owners should follow the Thai labour law, which includes labours' occupational health and safety standards with social security to sustain migrant labourers in their factories. Furthermore, SEZ's industries could strengthen and empower the capacities of migrant labourers to be consistent in the labour market.

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