CBI
Ministry of Foreign Affairs

Export Value Chain Analysis

Home Decoration & Personal Accessories
Laos

Table of Contents

I. List of figures

II. List of tables

III. Acronyms

ASOC	Asean Silk Organic Association
BSCI	Business Social Compliance Initiative
BWA	Business Women Association
CBI	Centre for the Promotion of Imports from developing countries
CITES	Convention on International Trade in Endangered Species
DHL	DHL International GmbH, Courier, Express and Parcel service
ECCIL	European Chamber of Commerce and Industry in Laos
EMS	Express Mail Service
EUTR	European Timber Regulation
FLEGT	Forest Law Enforcement, Governance and Trade
FSC	Forest Stewardship Council
FWF	Fair Wear Foundation
GDP	Gross Domestic Product
GIZ	German Agency for International Cooperation
GNI	Gross National Income
GOTS	Global Organic Textile Standard
HDHTG	Home Decoration, Home Textiles and Gifts
HS	Harmonized System
IPD	Import Promotion Desk
ISA	International Silk Association
ITC	International Trade Centre
JETRO	Japan External Trade Organization
LBWA	Lao Business Women Association
LCC	Lao Chamber of Commerce
LFA	Lao Furniture Association
LFT	Lao Fair Trade
LHA	Lao Handicraft Association
LNCCI	Lao National Chamber of Commerce and Industry
LPHA	Luang Prabang Handicraft Association
LRBSPG	Lao Rattan and Bamboo Sustainable and Processing Group
MOIC	Ministry of Industry and Commerce
NTFP	Non-Timber Forest Products
Öko-Tex 100	Öko-Tex Standard 100 (also Oeko-Tex Standard 100)
OVOP	One Village One Product
PCP	Pentachlorophenol
Prop65	California Proposition 65, Safe Drinking Water and Toxic Enforcement Act
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
Rohs	Restriction of Hazardous Substances
SME	Small- and Medium-sized Enterprises
SNV	SNV Netherlands Development Organization
SWOT	Strengths Weaknesses Opportunities Threats
TNT	TNT Express, Courier, Express and Parcel service
TPPD	Trade and Product Promotion Department
VC	Value Chain
WCC	World Craft Council

WFTO	World Fair Trade Organization
WSA	Wild Silk Association
WWF	World Wide Fund for Nature

1 Introduction

This CBI study was compiled as part of a series of three value chain studies for home decoration and personal accessories from Cambodia, Laos and Myanmar. The aim of these studies is to identify export potential to Europe and possibilities for upgrading the value chain in this sector. A value chain approach has been chosen to arrive at a deeper understanding of the structure of the industry and the most important issues to increase its competitiveness.

The study is based on:

- An assessment of trade statistics and a review of available secondary material (see Annex I)
- A survey assessing 20 handicraft companies in Laos
- A market survey in Europe among 25 importers and market consultants
- A field visit to Laos (meetings with key informants from the handicraft association, donor organisations and leading firms)
- The validation of findings at a national conference with 43 participants in Vientiane

The research was conducted by a team made up of an international and a local consultant, with support from CBI, the Lao Handicraft Association, and the Vietnamese association VIETCRAFT.

All work was carried out in the period September–December 2016.

2 Executive summary

European imports of home decoration and home textiles totalled €120 billion in 2014, of which 40% came from developing countries at a value of €48 billion. While China is by far Europe's leading supplier of home decoration and home textiles, Southeast Asia is an important production area with four countries (Vietnam, Indonesia, Thailand and Malaysia) ranking among the leading suppliers outside Europe. European imports show an annual import growth rate of 2.5% from 2010-2014, which indicates that the market recovered from the economic crisis in 2007-2009. Current European economic forecast data suggest that the growth trend is likely to continue.

At an abstract level, the European market for home decoration and home textiles comprises four different market segments (high-end, mid-high, mid-low and low-end) that offer opportunities for suppliers from developing countries. The main market trends for home decoration and home textiles in Europe are currently the trends for individuality/originality, functional and appealing products from emerging markets, sustainable/ecological/fair products and the growing importance of alternative trade channels such as direct supply. Value chain integration is on the rise. The market demands closer cooperation, greater efficiency, transparency along the supply chain and shorter lead times.

In a survey conducted for this research among 25 European importers and consultants, the sources indicated the highest market demand is for product groups such as recycled products, bags, home textiles, scarves and other textile accessories, basketry, seasonal decoration as well as wooden items, while there is less demand for small bamboo and rattan furniture, carpets, paintings, sculptures etc. The sources provided detailed information on competitive prices for a number of products and provided feedback on import experience with Cambodia, Laos and Myanmar. They suggested that Cambodia, Laos and Myanmar should not try to compete with cheap products from China or India. Instead, the countries should focus on high quality, developing their own style and functional, unique, contemporary design as well as sustainable materials.

Among the three countries that were part of this research, Laos is by far the smallest exporter of home decoration, home textiles and gifts to the European market, with a value of only US$0.391 million for selected HS codes in 2015, while imports from Cambodia were $44.874 million and from Myanmar $12.396 million. The most important product groups of home decoration, home textiles and gifts imported from Laos to Europe are 1) suitcases, bags, wallets, and 2) scarves and accessories of textile materials. While exports of suitcases, bags and wallets to Europe increased strongly in the last five years, the export of scarves and accessories of textile material decreased. Besides these two product groups, the export of all other product groups is insignificant. The main European importing countries in 2015 were Switzerland, France and Germany.

Laos has a population of 6.8 million people and a gross national income of $1,730 per capita, which is relatively high compared to Cambodia and Myanmar. However, the poverty rate is also still relatively high, with 23.3% in 2012/2013 according to the poverty headcount ratio at national poverty line level.

The Department of Handicraft Promotion at the Ministry of Industry and Commerce in Vientiane estimates that the handicraft sector is comprised of about 20,000 family firms, of which 1,300 are small firms, 52 are enterprises and 10 are big factories. According to another study by UNIDO in 2003, the total number of full-time workers in the handicraft sector was estimated to be 30,000-40,000, with an additional employment of 100,000 part-time workers.

The main product group of home decoration, home textiles and gifts produced in Laos are textiles. In 2012, 70% of the members of the Lao Handicraft Association were working with textiles. The companies are largely focusing on handmade production. Laos is strong on silk and cotton textiles;

both are equally important. Laos is known for its very skilful weavers and intricate weaving patterns. The number of home-based weavers is very large; most rural households are said to have a weaving loom. Besides silk, cotton is becoming more and more popular, particularly in combination with indigo dyes for the tourist market. A number of small- and medium-sized enterprises have a larger number of looms. The number of small- and medium-sized enterprises with more than 10 looms is estimated to be 500. Out of about 1,000 small- and medium-sized companies trading textile products, only very few are exporting. However, out of 14 textile companies assessed for this study, 13 report ongoing export activities.

The most common non-timber forest products (NTFP) are rattan, bamboo and a local fibre called pied. Laos still has abundant NTFP raw material resources. All quota for rattan and bamboo harvesting are currently suspended, though it is expected that this will change soon. There are about 50 small- and medium-sized enterprises, of which a few have FSC certification due to support from the World Wide Fund for Nature (WWF). Employment in rattan weaving is estimated to be 150 weavers, while more people are employed in bamboo processing. Only one FSC-certified company is exporting rattan ware at pilot project level. An interesting raw material is the natural fibre pied, which is used for making bags, purses and other small accessories.

The timber industry is also affected by the current suspension of harvesting permits. In case of wood, however, it is expected that this situation will last longer. Currently, only the use of teak and acacia from plantations is allowed. There is one integrated company mainly producing floor tiles and furniture, but also some accessories like trays, small boxes and laundry baskets based on teak wood from their own plantation. This company, with a European investor and 250 workers, has quite high turnover and exports 90% of its production, part of it also to the European market.

The main ministries in charge of the industry are the Ministry of Industry and Commerce with its Department of Industry and Handicraft and its Department of Trade and Product Promotion and the Ministry of Agriculture and Forestry. The main sector association is the Lao Handicraft Association (LHA). With five regional chambers and 78 members in 2012, it represents all handicraft companies in the country and plays an active role lobbying for the political interests of its members. There are a number of ongoing support programmes on silk and other natural fibres. The Japanese development agency JETRO especially has been working with the Lao Handicraft Association for more than ten years, providing designers to work with selected companies, as well as other forms of support. As a result companies in Laos are better qualified, which is an advantage other programmes can build on.

The greatest export promotion potential for home decoration, home textiles and gifts in Laos is in textiles (silk and cotton). There are significant exports to Europe, there are quite a few companies with export experience and the industry has high relevance for employment and income generation. The potential for non-timber forest products is lower. There are few companies, fewer market-ready products, less competitiveness, and current exports to Europe amount to just a few thousand dollars. However, ongoing initiatives to increase sustainable supply capacity, including FSC certification, deserve to be supported. Wooden home decoration products can only be recommended if they are from sustainable sources. As there is only one company with export-ready products, it is practical to combine it with non-timber forestry products in one group, 'NTFP & Wood'.

A general advantage of the home decoration, home textiles and gifts value chain in Laos are the good framework conditions, insofar as the government supports the handicraft sector, customs clearance seems to be uncomplicated, there is no particular export license needed and no export tax applied for textile products. However, the government has not implemented a comprehensive handicraft sector strategy and there are only a few initiatives on skills training for handicrafts.

The main strengths of the textile industry in Laos are the very large number of weavers, sophisticated silk weaving techniques and a good combination of in-house production and outsourcing to weaver networks. There are market opportunities on the European market for hand-spun, handwoven cotton with indigo dyes for scarves and for a range of home textiles such as blankets, cushion covers and table cloth. Simplified designs of silk items are attractive for the European market as well.

The main barriers hindering silk & cotton exports to Europe are relatively high product prices, little design adaptation to follow European market trends and no regular trade promotion support to increase exports to Europe. The main barriers hindering the export of NTFP & wood products to Europe are small quantities, simple products and no regular trade promotion support.

Laos can benefit from direct purchasing of silk yarn and accessories in Vietnam and can learn from the organisational models of Vietnamese companies. Mobilisation of Vietnamese experts for technology transfer, participation in regional trade shows such as LIFESTYLE Vietnam and an exchange on organisation development among the handicraft associations would be welcome developments, and would help Laotian companies to become more competitive.

Suggested solutions to upgrade the value chain include that the textile industry in Laos reduces its dependence on the domestic market and develops the export market more. The reliance on silk should be reduced and the production of final home textiles and scarves made from cotton increased. Hand-spun local cotton production, indigo dyes and local sericulture should be promoted, as well as direct purchasing of silk in neighbouring countries. Offering training on productivity development and quality control, product diversification, and setting up a design institute/school and a trade fair participation programme should improve the competitiveness of the industry. The expected impact would be that 10 companies double their current combined export turnover of $470,000 per year and increase their permanent and part-time workforce by 320 workers.

Business models for producers of non-timber forest products and wooden decoration items need to be based on sustainable management of natural resources. The introduction of certification schemes requires access to markets that allow covering the cost of certification. Access to larger markets like the European market and regular export of larger quantities are needed. Potential customers need to be identified, particularly on the mid-high, eco-oriented fair trade niche market. Market exposure needs to be increased to develop better know-how and contacts; adaptation of product design and quality is necessary. The expected impact would be that 5 companies double their combined annual turnover of $250,000 and provide employment to an additional 300 workers.

As for improving the framework conditions, the Lao Handicraft Association's role in lobbying for improved framework conditions and on providing training and information services to its members should be strengthened.

The total impact of upgrading the value chain that can be expected within a period of five years is estimated to be an increase in exports of $720,000 per year and the creation of 620 jobs. This impact should make it possible to develop a positive project business case with a generated impact higher than the investment required. A support project to increase the exports of home decoration, home textiles and gifts to Europe is therefore recommended.

As for the Social Responsibility Risk assessment undertaken, most companies are small and lack appropriate documentation and control mechanisms. Only 2 of 20 companies can refer to external certification or auditing. Most of the companies assessed are especially important for the employment of women. Out of 20 companies assessed, 17 are managed and/or owned by women. Moderate risks should be addressed with activities to reduce child work at family level, improve occupational health and safety, reduce environmental pollution and corruption and ensure better traceability of the origin of inputs.

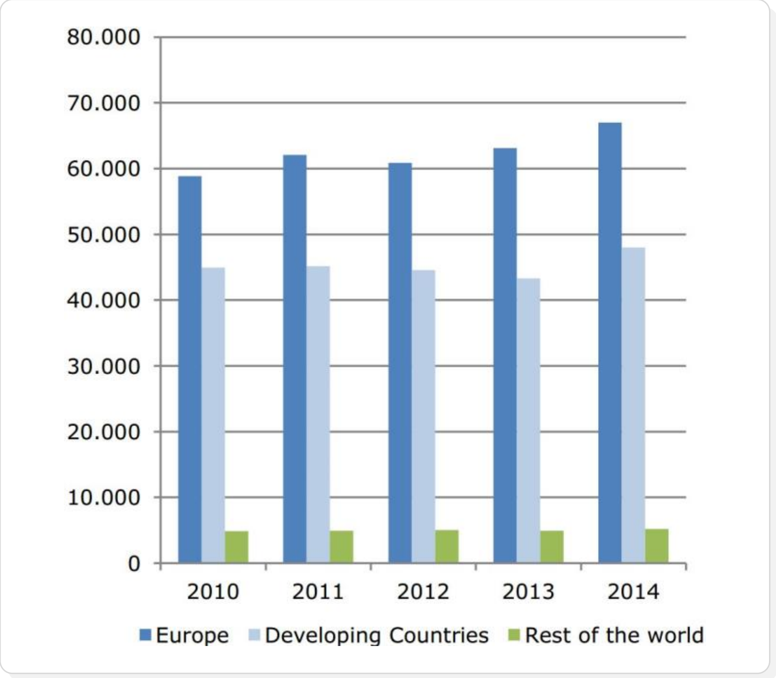
3 The European market for home decoration, home textiles and gifts

3.1 Overview of the European market

The European market for Home Decoration, Home Textiles and Gifts (HDHTG) comprises 32 countries with 524 million consumers, of which 28 countries with a population of 510 million people are in the European Union (EU) and 4 countries with a population of about 14 million people are in the European Free Trade Association (EFTA).

European imports of home decoration and home textiles totalled €120 billion in 2014. Of these imports, 40% came from developing countries (€48 billion), while the largest share of imports (55%) is due to trade within Europe. A large share of these imports from other European countries can also be attributed partly to developing countries, as the figure includes re-exports within Europe. This means that Asia is by far the most important source of home decoration and home textiles, whereas the supply from other parts of the world is not more than 5%.[1]

Graph 1: European imports of home decoration and home textiles[2]

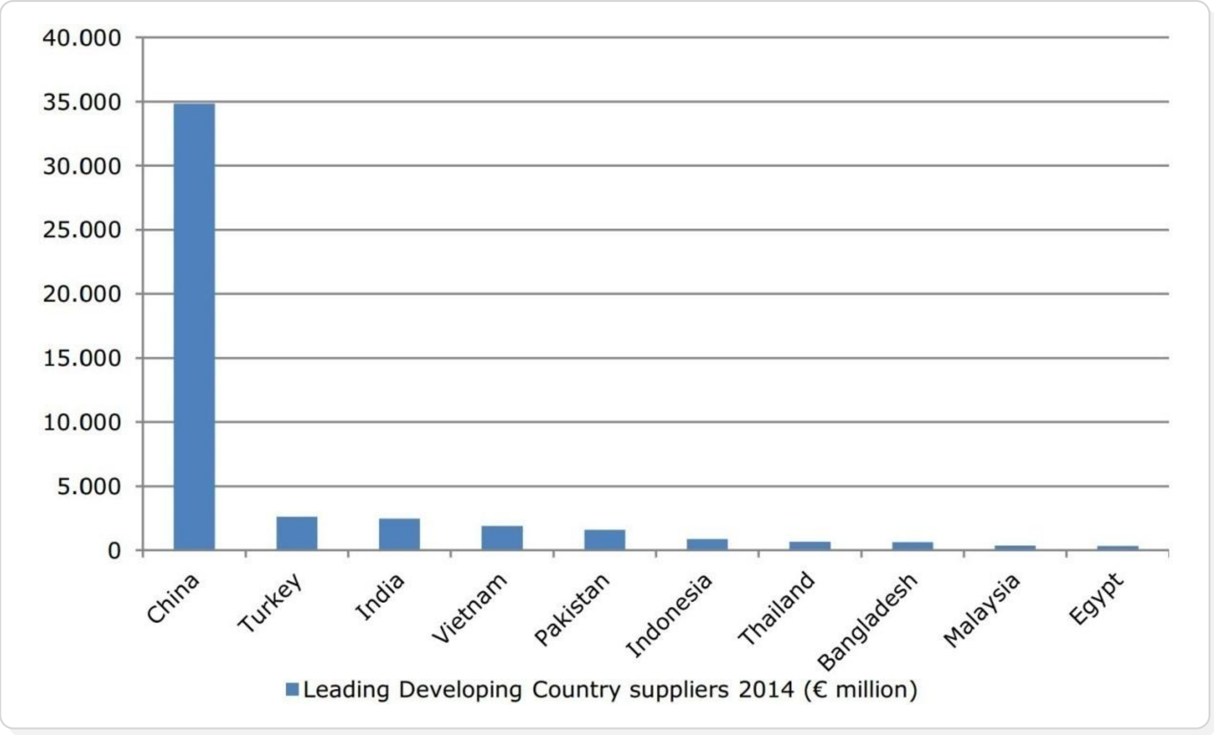


The average annual growth of imports of 2.5% from 2010-2014 indicates that the market recovered from the economic crisis in 2007-2009 and again shows a stable growth trend. Current European economic forecast data suggest that the growth trend is likely to continue. The European Commission expects a GDP growth rate of 1.7% in the eurozone for 2016 and of 1.9% in 2017.[3]

China is Europe's leading supplier of home decoration and home textiles. With imports worth €35 billion in 2014, it accounted for 73% of all imports from developing countries. Other leading suppliers from developing countries are Turkey (€2.6 billion), India (€2.5 billion), Vietnam (€1.9 billion), and Pakistan (€1.6 billion). Whereas imports from China and India are increasing with a below-average annual growth rate (1.3% each), Turkey, Vietnam and Pakistan are performing well with average annual growth rates of 4.6%, 3.4% and 6.5%, respectively.

[1] CBI (2015), CBI Trade Statistics: Home Decoration & Home Textiles in Europe
[2] CBI (2015), CBI Trade Statistics: Home Decoration & Home Textiles in Europe
[3] EU (2016), European Economic Forecast Winter 2016

Graph 2: Leading developing country suppliers 2014[4]



3.2 Market segments

At an abstract level, one can segment the EU market for home decoration, home textiles and gifts into four market segments according to different price levels:

- The exclusive high-end market
- The mid-high market for trendy products with added value
- The mid-low market for solid, good quality products
- The particularly price-sensitive mass market[5]

Graph 3: Market segments

[4] CBI (2015), CBI Trade Statistics: Home Decoration & Home Textiles in Europe
[5] CBI (2015), Market channels and segments for home decoration

The premium high-end market provides price-insensitive customers with exclusive products providing status and is largely dominated by international designer brands with high financial branding power. A typical example for this market segment is the French company HERMES, where a silk scarf, for instance, costs €345 or where a wooden lacquer tray is sold for €670.[6] In terms of market volume, the high-end market segment is by far the smallest market segment.

Graph 4: Product examples for different market segments

The mid-high market segment is characterised by products with some kind of added value and a higher price that go beyond regular standard products. It provides products that allow the consumer to somehow differentiate themselves from the mainstream market and that reflect a certain lifestyle. The mid-high market segment can be a good option for producers from developing countries with higher value products, e.g. handmade, organic, fair, or trendy products and who can show the benefits gained from their products. Design-oriented fair trade retail chains such as CHANGEMAKER (Switzerland) or CONTIGO (Germany) can be taken as examples for the mid-high market of socially and environmentally conscious consumers. A hand-woven silk scarf from Nepal or a lacquered bamboo bowl from Vietnam may fetch €73 here.[7]

The mid-low market segment comprises standard products supplied at reasonable prices. To supply the mid-low market segment, exporters from developing countries must be able to supply large volumes at competitive prices. Retail chains such as Butlers offer typical household rattan ware as it is produced in Myanmar.[8]

On the low-end mass market of home decoration, home textiles and gifts, products can be found for final sales prices of less than €10 at retail chains such as IKEA or PRIMARK. IKEA, a main buyer of rattan ware in Vietnam, for instance, starts to offer simple rattan baskets as low as €4.99.[9] The low-end market segment is largely dominated by suppliers from China, India, Vietnam, and Indonesia.

[6] www.hermes.com
[7] www.changemaker.ch, www.contigo.de
[8] www.butlers.com
[9] www.ikea.com, www.primark.com

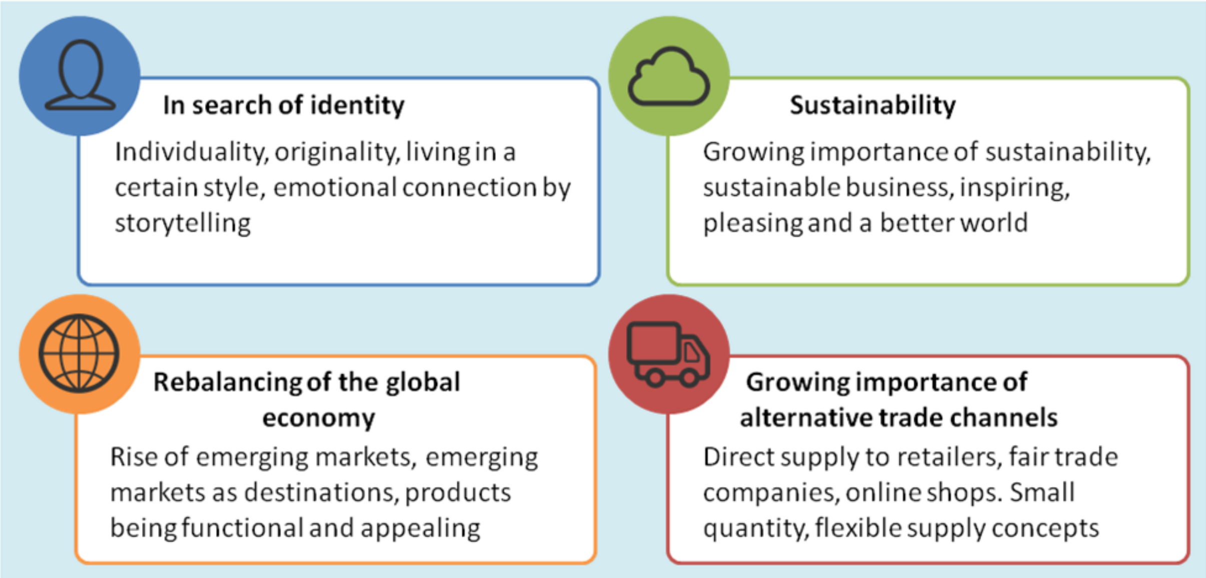
Producers from other countries mostly cannot compete with the economies of scale in these countries. In terms of market volume, the low-end market segment is the biggest.

3.3 Market trends

The latest CBI trend and market analysis for home decoration and home textiles in Europe spots four main trends:[10]

- In search of identity (individuality, originality, living in a certain style, emotional connection by storytelling)
- Rebalancing of the global economy (rise of emerging markets, emerging markets as destinations, products being functional and appealing)
- Sustainability (growing importance of sustainability, sustainable business, inspiring, pleasing and a better world)
- Growing importance of alternative trade channels.

Graph 5: Main market trends



There is a strong trend in the Western world of striving for individuality and originality. The interest in new, more eco-friendly products and the increasing number of Western tourists attracted by Southeast Asian culture are important trends that fit well with the supply potential of Cambodia, Laos and Myanmar.

Alternative distribution channels are of growing importance too. Increasing numbers of smaller retailers are also interested in buying directly from producers in developing countries and there are more and more online shops that import their products. This offers new opportunities for suppliers in developing countries that can prepare pricelists specifically for individual retailers and can offer standard packages for cost-efficient shipment and door-to-door delivery.[11]

[10] CBI (2015), CBI Trends: Home Decoration & Home Textiles in Europe and CBI (2015), Alternative distribution channels

[11] CBI (2015), Alternative distribution channels

In line with these trends, the fair trade niche market shows strong growth. In Germany, the fair trade market volume nearly tripled in the last five years and showed a growth of 11% in 2015.[12]

Value chain integration is on the rise. The market demands closer cooperation, greater efficiency, transparency along the supply chain and shorter lead times. New forms of interaction between supplier and buyer are on the rise. The co-creation of products is a key concept and offers new business opportunities.[13]

The importance of the trends above was underlined in the survey conducted for this study among 25 EU importers and consultants of home accessories and gifts in September/October 2016.

The sources indicated that the approach towards the product becomes more relevant; it is the combination of design, material, technique, uniqueness and story that creates demand. The importance and number of niche markets increases, particularly for fair trade-certified products. The sources particularly pointed out the following demand trends relevant for Asian suppliers:

- Ethno-chic, pure natural products, and organic materials, natural fibres from renewable sources
- Simplicity, timeless style, products made to last
- Fair trade and sustainable design
- Indigo and natural dyes
- Classical black & white Scandinavian styles, as well as subdued/pastel-coloured items
- Basketry: The basket that fits with the carpet, the basket that follows colour trends

The market trends mentioned are quite similar throughout Europe. However, there are differences from one European country to the next. On the one hand, for example, the market trend for ecological and fair trade products is particularly strong in some countries such as Germany, the Netherlands, Switzerland and Scandinavia, while it has been less important so far in other countries, such as France. On the other hand, a number of German importers indicate that the Southeast Asian ethnic style is less interesting for the German market than it is for the neighbouring countries France and the Netherlands. Designs are "sometimes too fancy for the German customer". Instead, the importers prefer simpler, regular products for the mainstream customer.

Co-creation is the preferred way to work for most of the 25 importers interviewed for this study. Importers usually welcome product ideas and designs from suppliers and translate the exporters' products into their own designs, e.g. with slight adjustments regarding colour codes or patterns. 50/50 co-creation is often referred to as the best solution, as it offers many advantages. The importer usually knows consumer taste and expectations best, while the exporter can offer particular techniques and product types. A number of European importers invest in joint product development. European in-house designers cooperate with the product development team of the Asian supplier.

However, a significant number of importers rely 100% on new designs by suppliers. They go around and look what kind of new designs are suggested by the suppliers to choose from. Other importers develop their own designs for 100%, making use of the

FOCUS ON

- ✓ Natural, eco-friendly products
- ✓ Emotional connection by storytelling (e.g. about the people making the product)
- ✓ Adding a touch of local context or culture, but not too much (products become "niche" when adding too much ethnicity)

[12] www.forum-fairer-handel.de, Zahlen & Fakten (2016)
[13] CBI Scenario Planning Home Decoration & Home Textiles

authentic ways of weaving, particular prints or individual craftsmanship of suppliers.

3.4 Market requirements

Exporters have to comply with a number of legal requirements for the different product categories.[14] Important requirements for home decoration, home textiles and gifts are:

- The EU General Product Safety Directive states that all products sold in the EU must be safe and provides a general framework even if no specific regulations apply.
- Chemicals: Ban of 22 AZO dyes for all products that can come into regular contact with human skin, health control of articles coming into contact with foodstuffs (bowls, pans, cutlery etc.), impregnation of wood products without creosote substances and arsenic, fumigation of basketry and wickerwork.
- The CITES convention (Convention on International Trade in Endangered Species) has to be respected if products are made from wild plants or animal products.
- Labelling: Fibre composition and washing instructions have to be indicated for all textile products and have to be sewed firmly.

In addition to AZO dyes, EU importers check for maximum content of pentachlorophenol (PCP) for textiles and of chromium VI for leather. Nickel is banned for jewellery; importers require that silver jewellery must be made of lead-free 925 sterling silver; there is a maximum content applied for cadmium. There are special requirements for toys (need to be CE marked) and commodities in contact with foodstuff. There is a limit for cadmium in plastic bags, benzene in incense sticks, and dimethyl fumarate in packing materials.

Fair wages, good working conditions and respecting environmental standards are requested by many importers. For some importers, fair trade standards must be fulfilled. The exporter must not necessarily be certified, but has to prove compliance with fair trade criteria. Suppliers having undergone a social audit are generally preferred.

Importers refer to many different standards such as WFTO, REACH, Rohs, Prop65, Öko-Tex 100, BSCI compliance, BCFS, FWF Code of Labor Practice, GOTS organic, Max Havelaar Fair Trade Certified, etc. The application of standards is more and more important. Physical and social protection of workers, work safety trainings (e.g. application of dyes with masks) and the payment of at least minimum wages is a concern for most buyers.

Importers aim at reject rates of less than 1% and need customised packaging and labelling according to individual requirements (proper inner and outer packaging, single packing in poly-bags or cardboard boxes, customer-specific labelling with barcode stickers, box marking, tags and labels attached, sometimes vacuum-packed, washing instructions labels on textile materials).

It is striking that many companies interviewed in the EU importers survey indicate that they struggle with the fact that their suppliers from Cambodia, Laos, and Myanmar do not always meet the basic legal requirements. Even if suppliers are aware of the basic legal requirements, they often do not have sufficient control over their own raw material supply chain.

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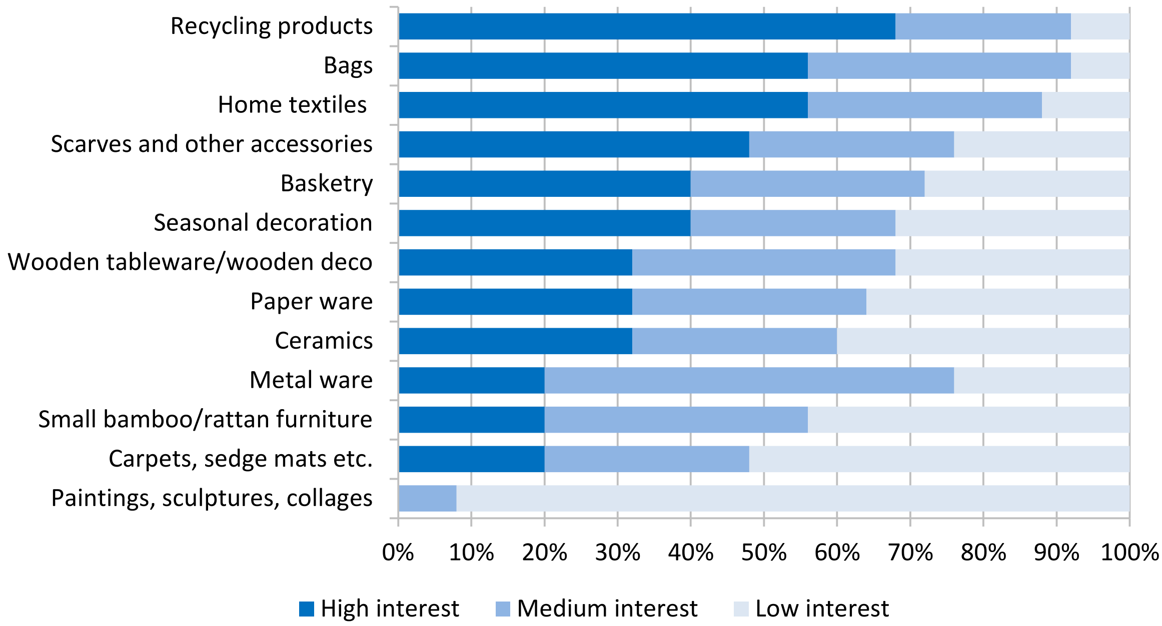
[14] CBI EU Buyer Requirements for Home Decoration and Home Textiles

3.5 Interest of EU companies to source from Cambodia, Laos and Myanmar

In the survey undertaken among the 25 EU importers and consultants of home accessories and gifts in September/October 2016, the interviewed sources indicated that, in general, the market for home accessories, home textiles and gifts has become stronger again due to the growing importance of lifestyle concepts. However, it is no longer common to place large orders for one single product. Instead, buyers think in collections and put together orders of mixed products.

The interviewed sources stated an interest in the following product groups as presented in Graph 6.

Graph 6: Interest in product groups[15]



Though it is a rather specific niche market product, the highest interest was expressed for recycled products, e.g. recycled glass, recycled yarn and others. This reflects the importance of the above-mentioned ecological trend. It was indicated as well that recycled products should become more sophisticated in future. Bags and home textiles rank second in terms of market interest. For home textiles, the sources indicated high market demand for table cloths, cushion covers, throws, and bed spreads. There is particular market interest in eco-friendly household textiles based on organic fibres, organic cotton and organic dyes. Organic materials should be certified.

Scarves and other accessories such as purses and jewellery provide good market opportunities as well, as consumers change accessories more often than home decoration items. Particularly small, less expensive accessories sell faster than larger and more expensive items. There is also a high interest in well-designed, distinctive seasonal decorations, as European households tend to buy new decorative accessories according to the different seasons to create a similar ambience and atmosphere in the house. For basketry, ceramics and wooden products, the market expects functional table ware, kitchen items, place mats, garden-related products, storage products and planters/plant pots. Low interest was expressed in small bamboo & rattan furniture, carpets, sedge mats and metalware. Paintings, sculptures and collages rank last in terms of market demand.

Market trends and interest in specific products provide sound market opportunities. However, exporters should be aware that in the end the consumer, and the importer, buys in a price-sensitive

[15] CBI's assessment

way. The interviewed sources indicated a number of typical FOB prices for certain order quantities that can serve as an orientation as to what kind of FOB price level can be competitive on the market.

Table 1: Typical FOB prices[16]

Product	Typical order quantity	Typical fob price ($)
Tablecloth	100/design	11
Scarves	100/design	5-12
Scarves	5-25	6-25
Throws	5-25	30
Necklace	100/design	5.5
Textile accessories such as pouches, cases, purses	100/design	2-8
Cushion, filled, with zipper	200/colour	3.5-5
Cushion	100	13
Cushion cover	5-30/design	12-20
Macramé wall carpet	250/colour	3.5
Tea towel	1,000	1.5
Hamam towel	100-500	4-6
Textile purse	2,000	1.5
Silk cosmetic pouch	1,000	3.5
Small bag	1,000	6.00
Ladies handbag	50-300	11
Medium-sized bag	500	18
Bags	5-25	15-60
Jewellery	100-400	4.5-11
Recycling bags	100	6-8
Glass	5,000	1.5
Silver jewellery	20-30	5-15
Leather bag	200	33
Rug	50	40
Shopping basket	20-ft container	3.5
Ceramic planter bucket size	20-ft container	5-7
Laundry basket	20-ft container	25
Lacquerware vase, 50 cm tall		16-27

The sources came up with some proposals as to how Cambodia, Laos and Myanmar could become more competitive. They suggested that different suppliers should cooperate to have consolidated shipments to one customer in order to reduce transport costs. The companies should improve reliability, regular customer communication, command of the English language and services. Product differentiation is important as well. Cambodia, Laos and Myanmar should offer products that are distinctive from Vietnam, Thailand, Indonesia and other countries.

The supply chains need to be improved. The companies should have better control over their raw material supply, which often is too expensive, of third-rate quality and unreliable. Having their own reeling and weaving factories in the countries would

FOCUS ON

- ✓ Functional products
- ✓ Less purely decorative products
- ✓ Simplified designs
- ✓ Less ornamental applications
- ✓ Less expensive standard products that can be produced in large quantity
- ✓ No tourist souvernirs

[16] CBI's assessment

be preferred. Production capacity and processes should be improved. The lead time for production should be shorter.

Exporters should develop more standard products and product lines, e.g. the same bag in three different sizes. Exporters should assess where in the production line they have high costs (price drivers) and how simple adaptations can reduce costs significantly.

In summary, it was suggested that Cambodia, Laos and Myanmar should not try to compete with cheap products from China or India. The countries should rather focus on high quality, developing their own style and functional, unique, contemporary design as well as sustainable materials.

4 European imports of home decoration, home textiles and gifts from Laos

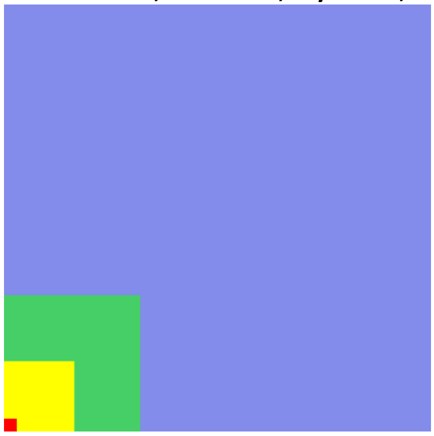
4.1 Regional overview Cambodia, Laos and Myanmar

For the selected product groups and Harmonized System (HS) codes in Table 2, imports of home decoration, home textiles and gifts from Cambodia, Myanmar and Laos to the European market amounted to $57.661 million in 2015.[17]

With a value of $0.392 million, Laos' exports of home decoration, home textiles and gifts to the European market were much lower in 2015 than the exports from neighbouring countries.

- Vietnam: Imports of $441.975 million
- Cambodia: Imports of $44.874 million
- Myanmar: Imports of $12.396 million
- Laos: Imports of $0.391 million

Graph 7: Comparison – Imports of HDHTG from Vietnam, Cambodia, Myanmar, Laos



The main product groups within home decoration, home textiles and gifts from Cambodia, Laos and Myanmar are 1) suitcases, bags, wallets, 2) home textiles and 3) scarves and accessories of textile materials. For all three product groups, exports from Laos are much smaller than the exports from Cambodia or Myanmar.

Table 2: Imports of HDHTG from Cambodia, Laos and Myanmar to Europe, 2015 (in $1,000)[18]

	European imports 2015			
Product groups (included HS codes)	**CAM**	**LAO**	**MYA**	**Total**
Suitcases, bags, wallets (4202)	31,071	188	8,349	**39,608**
Tableware, kitchenware, wooden decor items (4419, 4420, 441400)	84	7	112	**203**
Basketry and wickerwork (4601, 4602)	62	2	1,691	**1,755**
Paper products (4802)	0	0	0	**0**
Carpets (57)	9	5	0	**14**
Scarves and accessories of textile material (6214, 6217)	3,668	125	687	**4,480**
Home textiles (6301, 6302, 6303, 6304)	8,809	5	1,006	**9,820**
Ceramics (6912, 6913, 6914)	87	2	19	**108**
Glassware (7013)	0	0	1	**1**
Jewellery and silverware (7113, 7114, 7116, 7117)	579	18	283	**880**
Metalwork (8306)	38	1	29	**68**
Bamboo and rattan furniture and chairs (940151, 940381)	2	0	65	**67**
Paintings, sculptures, Christmas deco (6702, 950510, 9601, 9701, 9703)	465	38	154	**657**
TOTAL	**44,874**	**391**	**12,396**	**57,661**

Jewellery, paintings/sculptures, and wooden items were of medium importance. Imports of ceramics, metalwork, bamboo/rattan furniture, and carpets were very low. The import of glassware to Europe from the three countries was marginal ($1,000 only) and there were no imports of paper products from Cambodia, Myanmar, and Laos to Europe. The last two product categories were therefore left out of any further assessment.

[17] EU/EFTA country import statistics are used as statistical data.
[18] CBI's compilation based on ITC Trade Map, www.trademap.org

4.2 Exports of home decoration, home textiles and accessories from Laos

The Laotian exports of the assessed HS codes are largely dominated by the HS code 4202 (bags, suitcases, wallets etc.) which accounted for roughly half of Laos' exports of home decoration, home textiles and gifts, with a total value of $188,000 in 2015. The second most important product group in 2015 were scarves and accessories of textile material, with a total value of $125,000. All other product groups were of marginal importance. Home textiles accounted for just $5,000, basketry for just $2,000 and there was no export of rattan furniture at all.

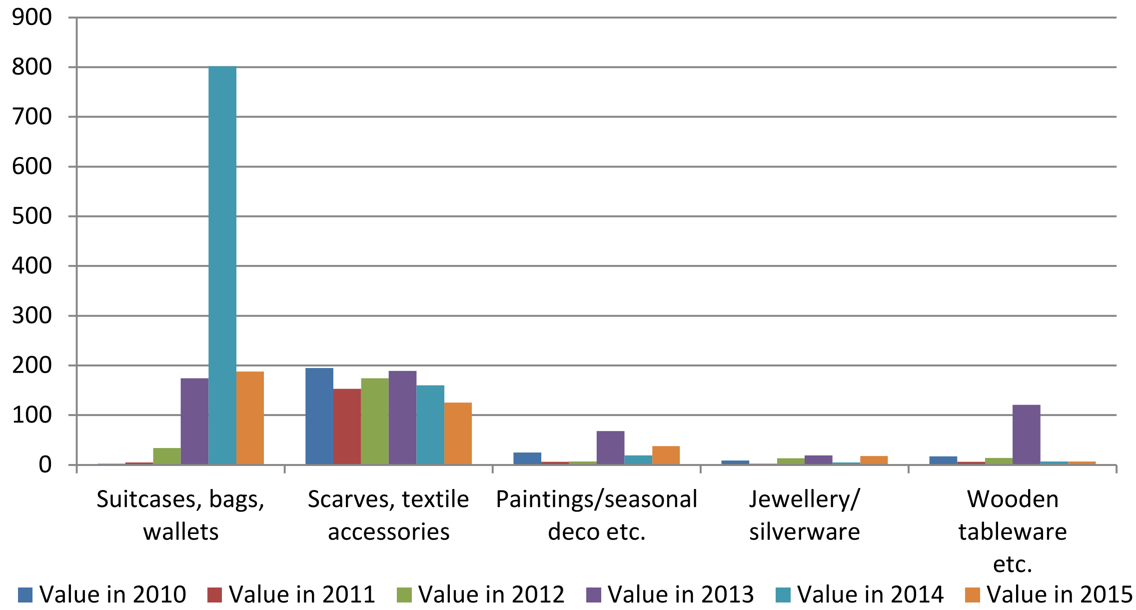
Table 3: Imports of HDHTG from Laos to Europe, 2015 (in $1,000)[19]

European imports 2015		per HS	Total
Suitcases, bags, wallets etc.			**188**
4202	Suitcases, bags, wallets etc. of leather, textile, plastics, etc.	188	
Tableware, kitchenware, decoration items of wood			**7**
4420	Wood parquetry, inlaid wood, cases, statuettes, ornaments etc.	7	
Basketry and wickerwork, woven mats, plaits, etc.			**2**
4602	Basketwork, wickerwork and similar articles	2	
Carpets			**5**
57	Carpets and other textile floor coverings	5	
Scarves and accessories of textile material			**125**
6214	Shawls, scarves, mufflers, mantillas, veils and similar articles	92	
6217	Made-up clothing accessories and parts of garments or accessories	33	
Home textiles			**5**
6302	Bed linen, table linen, toilet linen, kitchen linen of textile materials	5	
Ceramics			**2**
6914	Ceramic articles	2	
Jewellery and silverware			**18**
7113	Articles of jewellery and parts thereof, of precious metal etc.	13	
7117	Imitation jewellery	5	
Metalwork			**1**
8306	Bells, gongs, statuettes, ornaments, picture frames, mirrors	1	
Furniture, chairs made from bamboo or rattan			**0**
940151, 940381 Seats and furniture of bamboo or rattan		0	
Paintings, sculptures, collages, Christmas articles, etc.			**38**
9701	Paintings, e.g. oil paintings, watercolours and pastels, drawings	10	
9703	Original sculptures and statuary, in any material	28	
TOTAL		**TOTAL**	**391**

Over the last five years, exports of suitcases, bags and wallets increased, while exports of scarves and textile accessories decreased by about 40%.

[19] CBI's compilation based on ITC Trade Map, www.trademap.org

Graph 8: Development of European imports of HDHTG from Laos, 2010-2015 (in $1,000)



Compared to overall European imports in the assessed product groups, there is no product group where exports from Laos account for more than 0.0053%. This shows that there are still ample opportunities for capturing bigger market shares on the European market.

Table 4: Market share of HDHTG from Laos on the European market (in $1,000)[20]

	European imports from Laos 2015	Laos' share of total European imports 2015
Suitcases, bags, wallets etc.	**188**	**0.0009%**
Tableware, kitchenware, decoration items of wood	**7**	**0.0005%**
Basketry and wickerwork, woven mats, plaits, etc.	**2**	**0.0004%**
Carpets	**5**	**0.0001%**
Scarves and accessories of textile material	**125**	**0.0053%**
Home textiles	**5**	**0.0001%**
Ceramics	**2**	**0.0001%**
Jewellery and silverware	**18**	**0.0001%**
Metalwork	**1**	**0.0001%**
Furniture, chairs made from bamboo or rattan	**0**	**0.0000%**
Paintings, sculptures, collages, Christmas articles, etc.	**38**	**0.0002%**
TOTAL	**391**	**0.0004%**

Comparing the Laotian exports of home accessories to Europe with Laotian exports to other countries, it is amazing that exports of bags, suitcases and wallets to Europe only account for 8% of all Laotian exports of this product group, while 82% go to Japan, which imports bags, suitcases and wallets from Laos for a value of about $2 million. This is similar for jewellery. While jewellery is only exported to Europe for a value of $18,000, jewellery is exported for more than $8 million to the United States and Canada. The comparison suggests that there is still a particularly high unused supply potential in Laos for bags, suitcases, wallets and home textiles to Europe. For scarves, exports to Europe amount to 62% of all Laotian exports of scarves. Paintings, sculptures etc. mainly go to Canada and the United States.

[20] CBI's compilation based on ITC Trade Map, www.trademap.org

Table 5: Total exports and main imports for the four main product groups for Laos (in $1,000)

Product groups	Import countries	Export value 2015
1. Suitcases, bags, wallets (4202)	Total	2,416
	Japan	1,970
	China	114
2. Scarves and textile accessories (6214, 6217)	Total	200
	France	65
	Japan	44
3. Paintings, Christmas articles etc. (6702, 9601, 9701, 9703, 950510)	Total	146
	Canada	62
	USA	30
4. Jewellery etc. (7113, 7114, 7116, 7117)	Total	9,067
	USA	7,019
	Canada	1,228

The main importing countries in Europe in 2015 were Switzerland and France, followed by Germany.

Graph 9: Top ten European countries importing from Laos, 2015

Rank	Country	1,000 US$
1	Switzerland	110
2	France	108
3	Germany	79
4	Denmark	28
5	Italy	15
6	Netherlands	13
7	Ireland	12
8	United Kingdom	11
9	Beligum	7
10	Slovenia	4

5 Value chain structure

5.1 Macro-economic context and value chain policies

Laos has a population of 6.8 million people. It belongs to the group of lower-middle-income countries with a Gross National Income (GNI) of $1,730 per person; relatively high compared to neighbouring countries such as Cambodia or Myanmar. In the Human Development Index of the United Nations, Laos ranks 141 out of 188 countries. Laos became a WFTO member in 2013; exports totalled $4.3 billion in 2015. Especially the construction and tourism sectors are expanding.

Table 6: Macro-economic data[21]

Laos	
Population 2015	**6.8 million**
GNI/capita/year 2015	**$1,730**
GDP growth 2015	**7%**
Inflation 2015	**-0.4%**
Exports 2015	**$4.3 billion**
Poverty rate 2012/2013	**23.2%**
Human Development Index 2014	**141 (of 188)**

On the one hand, with a Gross Domestic Product (GDP) growth of 7% in 2015, Laos belongs to the fastest-growing economies in Asia. On the other hand, the poverty rate in Laos is still high (23.2% in 2012/2013) according to the poverty headcount ratio at national poverty line level.

The Laotian government recognises the importance of the handicraft sector as a driving force to escape poverty, as the sector employs a large number of people. According to one estimate by the Department of Handicraft Promotion at the Ministry of Industry and Commerce, the handicraft sector comprises about 20,000 family firms, of which about 1,300 are small firms, 52 are enterprises and 10 are big factories.[22] According to another study by UNIDO in 2003, the total number of full-time workers in the handicraft sector was estimated to be 30,000-40,000, with an additional employment of 100,000 part-time workers.

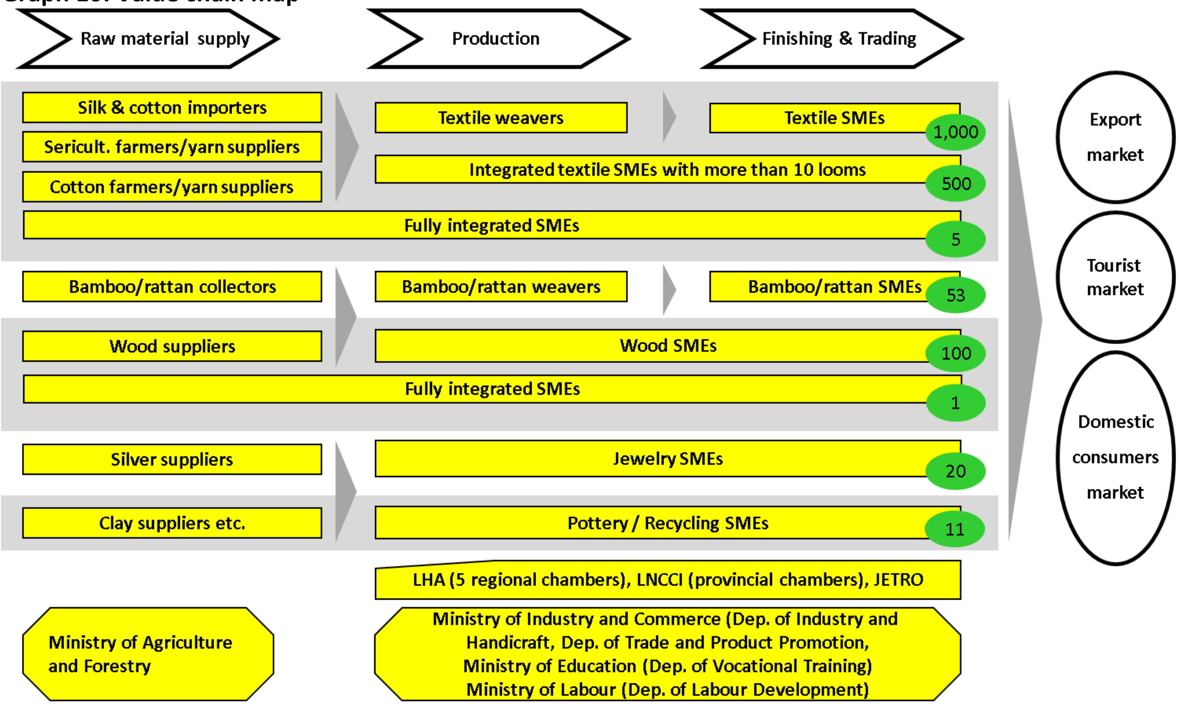
5.2 Main product groups

In Laos, the main product group in home decoration, home textiles and gifts are textile products. In 2012, 70% of the members of the Lao Handicraft Association were working with textile products (54 out of 78 members), while 9 members were working with silver/gold/bronze jewellery, 7 with recycled products, 5 with non-timber forest products (NTFP), two with cultural products and one with pottery.[23]

The products are mainly produced for three main markets: the market for domestic consumers, the tourist market and the export market. The biggest share of the products by far goes to the domestic consumer market.

[21] www.worldbank.org and undp.org
[22] Ministry of Industry and Commerce, 2016, An assessment of gender
[23] www.laohandicraftassociation.com

Graph 10: Value chain map[24]

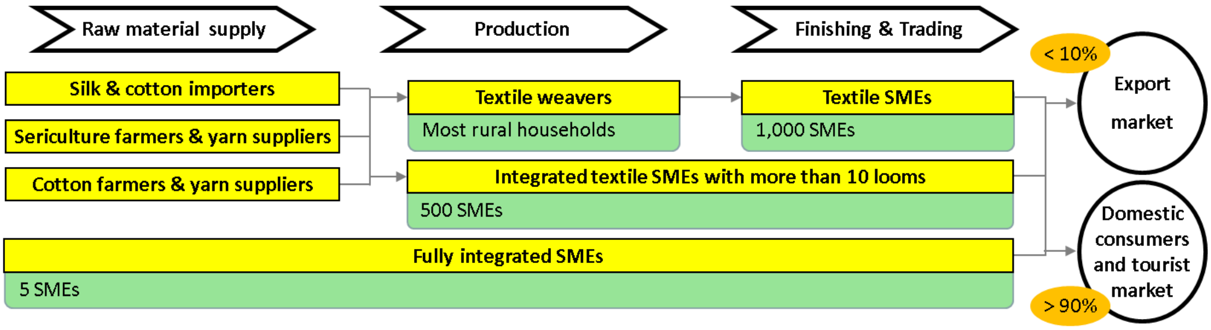


5.2.1 Textiles

Laos is strong on both silk and cotton textiles. Both are equally important. Whether weavers or SMEs work with cotton or silk just depends on the market demand. Both materials cannot be separated according to different groups of actors involved. While silk is used for the exclusive, high-price market segment, simple home textiles and accessories are made from cotton.

Silk yarn is mostly imported from Vietnam and China, while the number of sericulture farmers in Laos dropped to less than 1,000. The current production of silk yarn in Laos is estimated to be less than 5 tonnes. There are 5 local traders supplying silk yarn made in Laos.

Graph 11: Value chain map extract - Textiles



Cotton farmers can be found in the provinces Savannakhet, Xaiyabouly, Oudomxai, Luang Prabang and Luang Nam Tha. Most cotton comes from the border between Laos and Myanmar in Luang Nam Tha province. A special product in Laos is hand-spun cotton. In Oudomxay, there are 3-4 villages with

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[24] CBI's compilation

about 200 farmers who hand-spin cotton. In Ban Nayang there is another cluster of producers of hand-spun cotton. While hand-spinning cotton provides additional income for rural households, farmers have been reluctant to expand cotton growing strongly in the past, as they do not consider cotton a major crop like rice.[25]

Hand-spun cotton is sold for about 90,000 Lao kip per kg, while the average price of imported cotton is reported to have increased from 55,000 kip to 70,000 kip per kg. Demand for Lao cotton and particularly for hand-spun cotton is high, as there is not enough local production. Hand-spun cotton is becoming more and more popular. The state-owned company Lao Cotton has also developed a strategy to increase hand-spun cotton production. The use of indigo dyes and other natural dyes is another specialty of Laos. In Luang Prabang alone, there are 20 SMEs working with indigo dyes. Eight out of the 14 textile companies assessed work with natural dyes.

Laos is known for its highly skilful weavers and intricate weaving patterns. The number of home-based weavers is large; weavers are spread all over the country. Most rural households are said to have a weaving loom. The knowledge is passed on from one generation to the next. For commercial purposes the weavers are trained through training courses provided by the companies, on the job learning, quality control and feedback. The training starts with easy techniques and continues step by step to more complex techniques. Weavers need to improve weaving techniques more often when new designs are introduced.

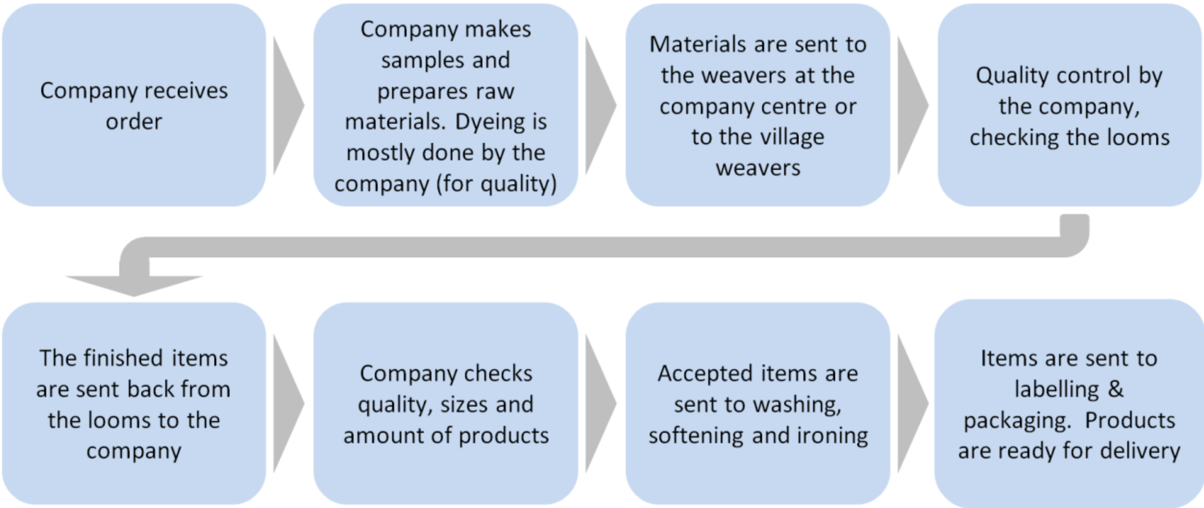
Weaving is mostly done as a part-time activity at times when there is less agricultural work. Weaving provides an important source of additional income besides farming. Weavers producing basic qualities can earn $100-120 per month; master weavers can earn $300 per month or more. The part-time income from weaving in farm households is estimated to be $50/month.

There are quite a number of small- and medium-sized enterprises with a larger number of looms. The number of SMEs with more than 10 looms is estimated to be 500. Out of 14 textile companies assessed, 10 have more than 10 weaving looms, while six companies have 25-95 looms on their premises. This in-house capacity is an advantage for quality management, response time for larger orders and overall competitiveness. Most of these companies also work with village-based weavers. Eighty per cent of the textile companies subcontract work to village weavers when they have big orders. This subcontracting can be for making final products or semi-finished products, depending on the skills, level of trust and logistic aspects.

The value chain directed to a large extent by these larger SMEs, which decide on the product, pre-finance inputs and control access to larger markets. These SMEs are the most powerful actors in the industry. In addition, there are five fully integrated companies with their own sericulture farms that have all steps in the value chain in-house.

[25] Helvetas, 2008, Organic cotton production in Lao PDR. A Pre-feasibility study

Graph 12: Production process of textile products



Out of about 1,000 small- and medium-sized companies trading textile products, only very few are exporting. Out of the 14 textile companies assessed, 13 have ongoing export activities, of which two companies have an export turnover of more than $100,000 and 7 companies have an export turnover between $50,000-100,000.

Export to Europe is very low. Only four companies assessed indicated having ongoing export business to Europe, ranging from $5,000-$30,000 per company. In line with the decrease of exports of scarves and textile accessories to Europe described above according to EU customs figures, there are five textile companies that mention they had (sometimes quite high) exports to Europe in earlier years, but not anymore nowadays. There is a strong trend towards decreasing exports of hand-woven textiles from Laos to Europe, which the companies (wrongly) explain as resulting from decreasing market demand due to the financial crisis in Europe. The trend is different for companies working with indigo scarves and supplying fair trade customers in Europe; these report increasing export figures.

Export to Europe is mainly done by parcel services (DHL, TNT, EMS, Lao post, etc.), which leads to high transport costs. Order volumes are small. Minimum orders start as low as 30 pieces, average orders are around 300 scarves per order and maximum orders are around 2,000 scarves per order. The average delivery time is 1-3 months. Regarding health and safety issues, all 14 companies assessed are aware of these issues and use EU standard dyes for chemically dyed items because of their experience exporting to Japan.

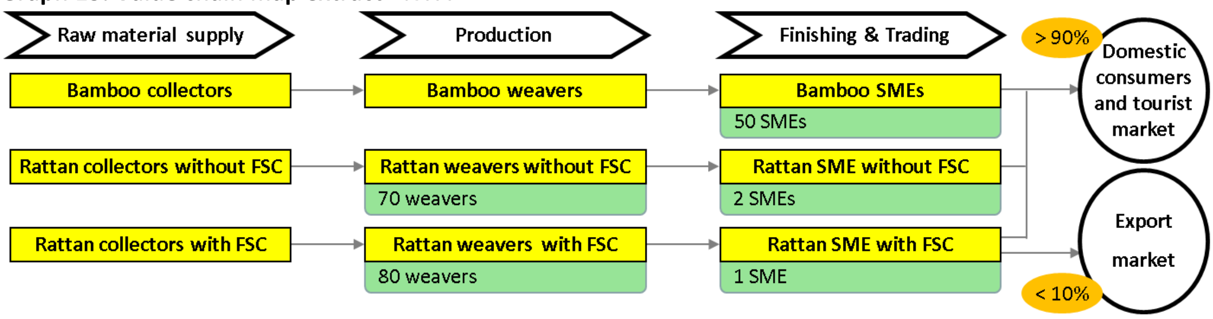
The most common products are scarves, shawls, wall-hangings, table runners, fabric, table cloth, bags, etc. Besides scarves and shawls, there is also a broad range of all different types of home textiles.

5.2.2 NTFP

The most common non-timber forest products (NTFP) are rattan, bamboo and a local fibre called pied.

Laos still has abundant rattan resources. Harvesting is mostly done in remote forest zones. As rattan is classified as a forestry product, the government applies quota for rattan harvesting. The government does not separate rattan & bamboo from timber, with the result that the suspension of quota for forestry, due to non-sustainable forestry management plans, affects rattan & bamboo harvesting. In general, there is a lack of forest management. Rattan forest should be well zoned, not mixed with conservation zones. There is an export tax for natural resource products that increased recently, as did rattan prices in general.

Graph 13: Value chain map extract - NTFP



Most of the rattan raw material is exported, particularly to Thailand and Vietnam. The second most important use of rattan is for rattan furniture, which is sold in the domestic market with production taking place all around the year. The third use is for rattan handicrafts: baskets, lamps, and home accessories. The quality of rattan weaving is mostly not very good.

There is at least one FSC-certified company with 80 weavers in four villages that is supported by the WWF. This company has exported small quantities of very simple baskets to the fair trade market in Switzerland since last year. It plans to extend production to four other villages. The export volume is currently about 10,000 baskets per year. The FSC certification of the company may expire in 2016. The WWF works with six wood companies and three rattan companies on FSC certification in total. It wants to show that bigger quantities can be exported and that the companies can serve as role models for others.

Many more people are involved in bamboo harvesting, processing and trading than in rattan. Though most bamboo is used in the construction sector and for furniture, some companies also produce handicrafts such as bags made from bamboo. The Lao government gives bamboo forest concessions to foreign investors, which has a big negative impact on local producers. The price of bamboo is increasing at about 15% per year. The main material for the bags is woven bamboo, which is sourced from villagers. For some parts of the bags, handwoven silk and cotton are used as well. The bags are mostly sold on the domestic market; there are no direct exports.

An interesting raw material is the natural fibre pied, which is used for making bags, purses and other small accessories. The natural appearance of the product and less common look can be attractive with regard to the trends for eco-friendly, natural materials.

In summary, there are only very few companies in Laos producing home accessories made of non-timber forest products that are aiming at the export market.

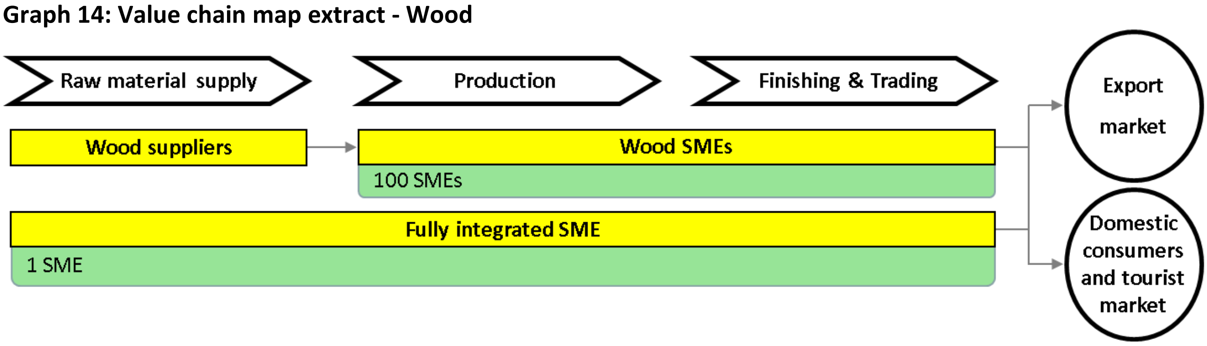
5.2.3 Wood

The new Lao government recently put all permits to harvest forestry products on hold. All wood cutting and NTFP harvesting permits are pending until a sustainable forest management plan is approved. While the Lao Handicraft Association expects that this will change quickly for NTFP, the situation may take longer to resolve for wood. Currently, only the use of teak and acacia from plantations is allowed.

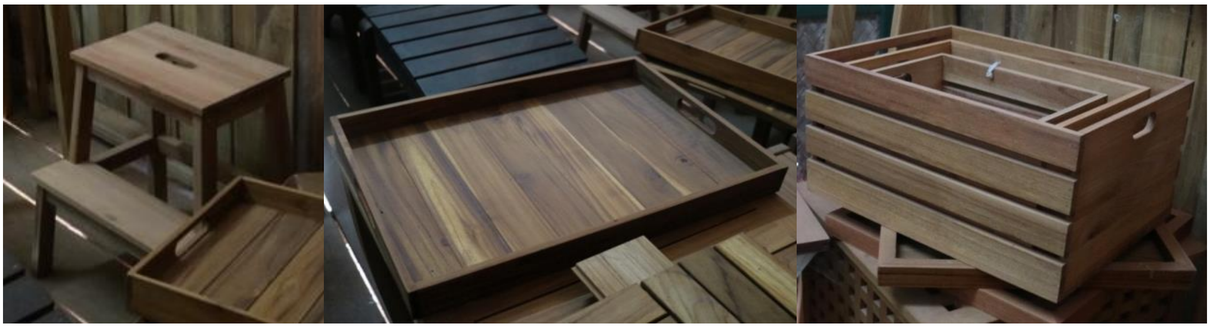
Nevertheless, a lot of locally manufactured furniture is sold in the market and some companies also produce wooden bowls, trays and other wooden accessories from different kinds of hard and soft wood.

Except for one company, producers of wooden home decorations are currently not able to comply with the new European Timber Regulation (EUTR) of 2013, which prohibits the import of illegally harvested timber products. European importers are held liable to check the legal origin of the wood based on establishing a due diligence system.[26] The Laotian government works on improving forest management and exploitation with support of the European Union's Forest Law Enforcement and Governance of Trade (FLEGT) project.

Graph 14: Value chain map extract - Wood



There is one integrated company that mainly produces floor tiles and furniture, but also some accessories like trays, small boxes and laundry baskets based on teak wood from their own teak wood plantation. The company, which has a European investor and 250 workers, complies with the new European Timber Regulation (EUTR), has a high turnover and exports 90% of its production, part of it also to the European market.

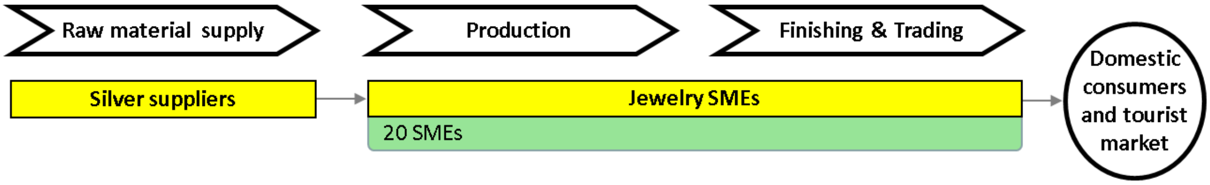


[26] IPD/CBI (2014), Guide to the EUTR

5.2.4 Silverware

Nine members of the Lao Handicraft Association and 11 other companies produce silver, gold and bronze jewellery. The companies have skilled silversmiths and mostly produce for the domestic market with a lot of ornamental work. Particularly for jewellery, some design adaptation can be found. Some companies produce simplified silver jewellery with a touch of ethnic design. However, as the raw material is imported, product prices are rather high and would have to compete with similar jewellery from India.

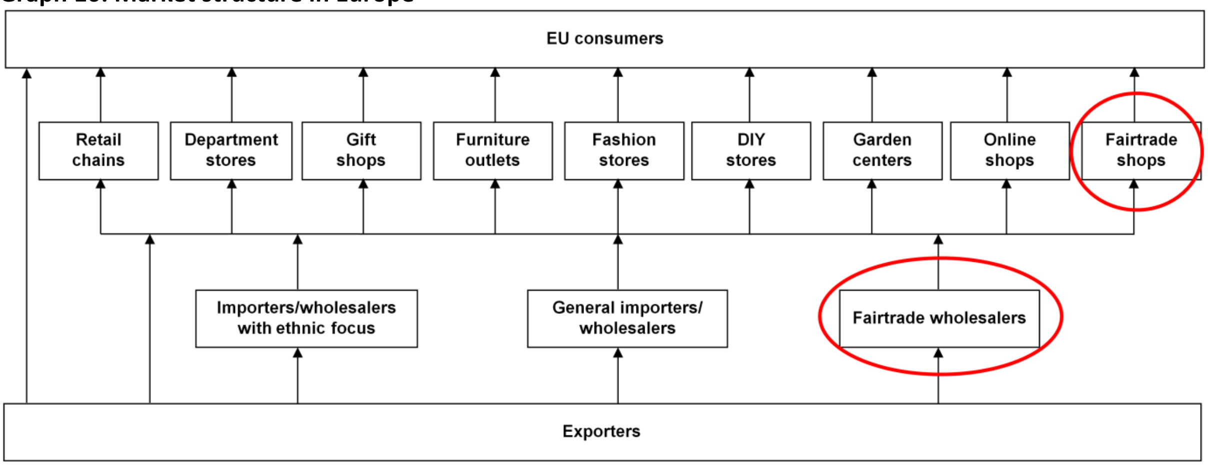
Graph 15: Value chain map extract - Silverware



5.3 Export channels

The export of home decoration, home textile and gift items is currently mostly done via small wholesale organisations with a social orientation or directly to retailers.

Graph 16: Market structure in Europe[27]



[27] Adapted from CBI, Market Channels and Segments for Home Decoration

5.4 Description of meso and macro level value chain actors

The most important ministries in the home decoration, home textiles and gifts value chain are:

- Ministry of Industry and Commerce, Department of Industry and Handicraft and Department of Trade and Product Promotion
- Ministry of Agriculture and Forestry
- Ministry of Education, Department of Vocational Training
- Ministry of Labour, Department of Labour Development

On the one hand, the Ministry of Industry and Commerce ensures good framework conditions, insofar as there are no customs clearance complaints from companies. Obtaining a C/O seems to be easy and not expensive. The general company license can be used for processing export documentation as well; no particular export license is needed for handicraft products. There is no export tax applied for textile products.

On the other hand, the Ministry of Industry and Commerce never implemented its handicraft sector strategy 2006-2009 due to a lack of funding. There is no comprehensive sector development strategy. The Ministry has a One Village One Product project implemented by the Trade and Product Promotion Department, but does not provide important trade promotion support otherwise. The Ministry of Agriculture and Forestry opened a Forest Law Enforcement, Governance and Trade (FLEGT) Standing Office in Laos with support from Germany's Agency for International Cooperation (GIZ).

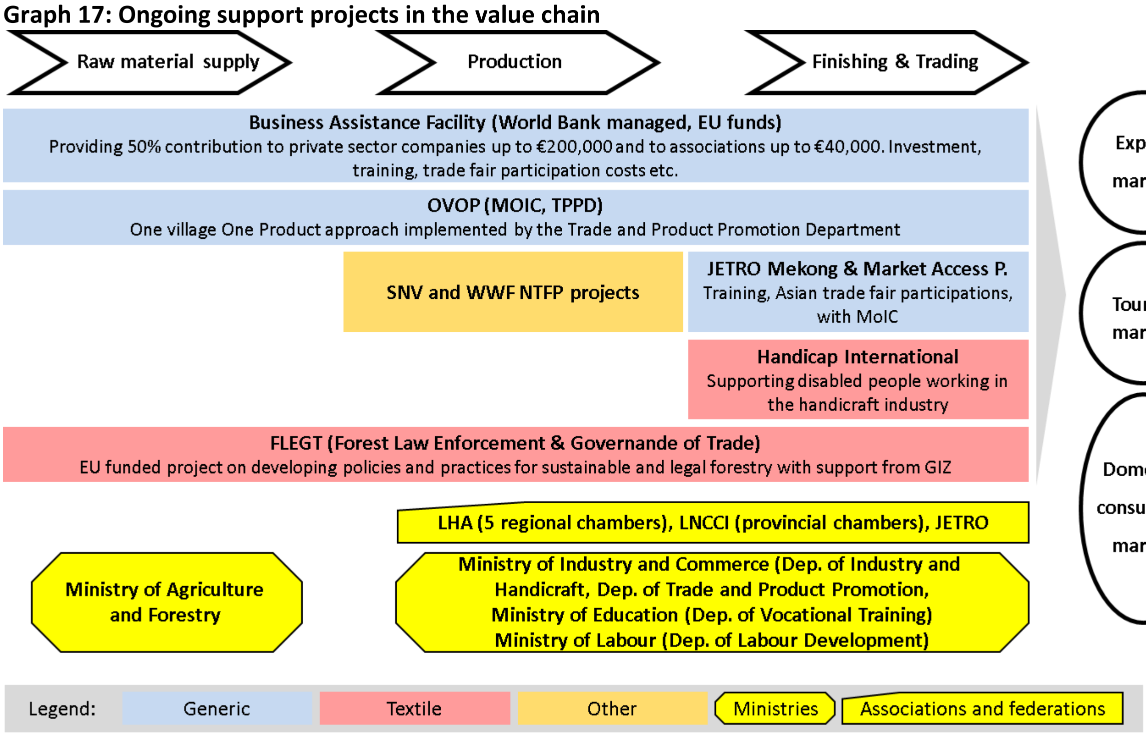
The main sector association is the Lao Handicraft Association (LHA). With five regional chambers and 78 members in 2012, it represents all handicraft companies in the country and plays an active role in lobbying for the political interests of its members. For example, the association currently holds government talks to ease the situation of raw material access with regard to the pending permits for the use of local wood and NTFP. Provincial associations such as the Luang Prabang Handicraft Association (LPHA) are members of the Lao Handicraft Association.

The Lao National Chamber of Commerce and Industry with its provincial chambers and the Japanese development agency JETRO also play important support roles. JETRO has been working with the Lao Handicraft Association for more than ten years, providing designers to work with selected companies and organising design workshops. JETRO also supported the Lao Handicraft Association in setting up a laboratory testing house in Vientiane. Currently, JETRO has a market access promotion project in Laos, supporting Asian trade fair participations. The Japanese development organisation JICA supports the handicraft productivity and marketing centre in Oudomxay.

The World Bank-managed and EU-funded Business Assistance Facility currently provides subsidies to private companies and associations for trade fair participations and trainings. However, trade fair participation subsidies will not be available anymore in the future. According to a representative of the Ministry of Industry and Commerce, a project evaluation concluded that trade fair participation subsidies were not used efficiently.

Handicap International supports disabled handicraft producers. SNV and WWF have support programmes for non-timber forest products. Further projects support silk and cotton weaving and other kinds of handicraft production.

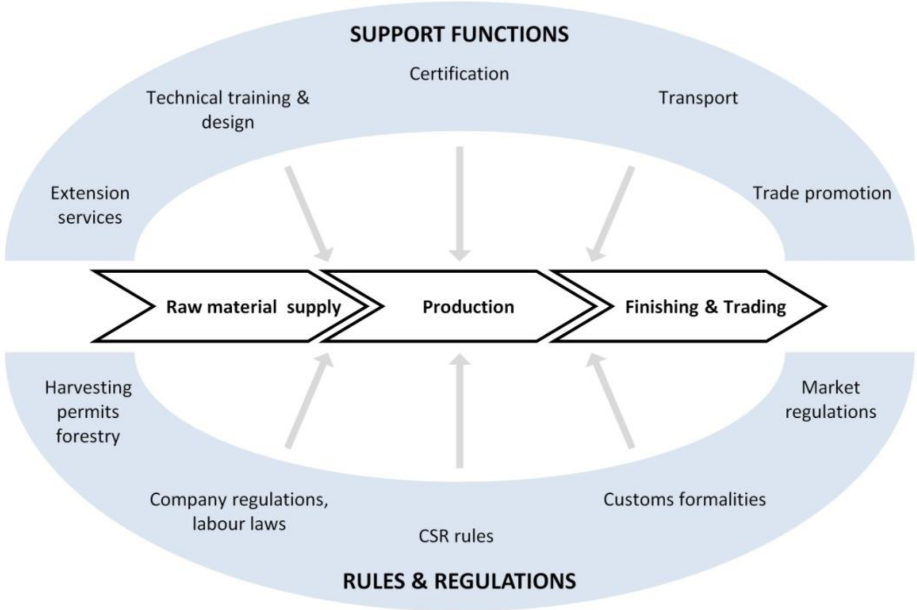
Graph 17: Ongoing support projects in the value chain



In general, the value chain did not benefit a lot so far from support services relevant for export promotion, except for the long-term-oriented Japanese support with technical trainings and design trainings and the SNV and WWF NTFP projects introducing certification. The Business Assistance Facility is a general project with hardly any impact on the handicraft sector and the OVOP approach is mainly production oriented. Cotton farming and sericulture are not encouraged by agricultural extension services. Handicraft companies hardly benefited from any trade promotion.

As for value chain rules and regulations, both government and business membership organisations currently work on improvements with changing regulations for harvesting permits of forestry products. Rules and regulations for company registrations, export licenses, customs clearance and export taxes provide rather good framework conditions for the value chain.

Graph 18: Value chain support functions, rules and regulations



6 Analysis of the development potential of the value chain

6.1 Product group ranking

The development potential of the different product groups in the value chain is compared according to three main selection criteria:

- Relevance of the industry for employment and income creation
- Market demand and competitiveness
- Export readiness of companies

Based on these criteria, textiles (silk & cotton) are by far the most important product group with export potential in the home decoration, home textiles and gifts sector in Laos. There are significant exports to Europe, there are quite a number of companies with export experience and the industry is important for employment and income generation.

The potential for non-timber forest products is already far lower. There are few companies, fewer market-ready products, competitiveness is lower, current exports to Europe amount to just a few thousand dollars, and harvesting permits are pending. However, it is expected that the harvesting permits for bamboo & rattan will not be pending for long and there are ongoing initiatives to increase sustainable supply capacity, including FSC certification, that deserve to be supported.

Wooden home decoration products can only be recommended for export if they derive from sustainable sources. As all wood cutting and NTFP harvesting permits are pending until a sustainable forest management plan is approved, which is expected to take time, only plantation wood can be recommended for export. As there is only one company with export-ready products, it is combined in one group with non-timber forestry products, 'NTFP & Wood'.

Silverware is not recommended for export in general, as the competitive advantage needed to develop an export-oriented industry seems to be lacking. There are few companies active in this sector, export to Europe is minimal, raw materials are imported and prices are rather high.

Table 7: Product group ranking

1. Silk & Cotton	▪ By far the largest number of export-oriented and export-experienced companies ▪ Current exports to Europe ▪ High relevance for employment creation and income generation
2. NTFP & Wood	▪ Ongoing initiatives to improve supply capacity and certification ▪ Domestic raw material base
3. Silverware	▪ Few companies with minimal exports to Europe ▪ Raw material is imported leading to rather high prices

6.2 SWOT analysis of prioritised product groups

6.2.1 General competitiveness

The development of a value chain upgrading strategy should be based on strengths, market opportunities and competitive advantages. A general advantage of the home decoration, home textiles and gifts value chain in Laos are the good framework conditions, insofar as the government supports the handicraft sector, customs clearance seems to be uncomplicated, and there is no particular export license needed and no export tax applied for textile products. Laos also welcomes foreign investment, e.g. from Vietnam, and local companies can combine production for the domestic and tourist market with exports. However, the government has not implemented a comprehensive handicraft sector strategy and there are only few initiatives on skills training for handicrafts.

The buyers and other sources interviewed for this assessment mostly had experience with Vietnam and Cambodia, but did not have much experience in trading with Laos and Myanmar. Only few were able to provide some comments on Laos and Myanmar, which is why the following graph cannot claim to be representative with regard to both countries. However, in general, among the four countries assessed, Laos is regarded to be the least competitive country for supplying home decoration, home textiles and gifts.

Graph 19: Competitiveness benchmarking

6.2.2 Silk & Cotton

The textile industry in Laos has a number of strengths. Laos has a very large number of weavers; most rural households have weaving looms. Laos' silk weaving techniques and patterns are more sophisticated than in neighbouring countries. The Laotian workshops have a good combination of their own in-house production capacity combined with outsourcing of work to weaver networks. The companies are used to working with AZO-free chemical dyes and natural dyes. JETRO has been working with the Lao Handicraft Association for more than ten years, providing design and marketing training to many companies.

Hand-spun and handwoven cotton with indigo dyes is seen as a particularly interesting market opportunity for the European market. Hand-spun and handwoven cotton scarves with indigo dyes can be exported for competitive prices of less than €10. Companies working with indigo dyes and cotton can also supply a range of home textiles such as blankets, cushion covers and table cloths. Simplified designs with less intricate patterns for silk items are attractive for the European market as well.

A main constraint concerning raw materials is that the supply of silk and cotton is decreasing, because farmers tend to change to other crops. With regard to weaving, the main constraints are quality control and meeting delivery times during farming seasons. Labour costs are increasing and the labour force is not regularly available throughout the year. There are not enough skilled craftsmen. Companies lack service provision to producers on product development and design. Companies have limited access to finance for working capital and investment in machinery. Laos has high electricity and water supply costs.

With regard to finishing, high product cost is the biggest constraint in Laos. There is a lack of information about the EU market; companies are weak in understanding European taste. Product design is less adapted to European trends; exports to Europe have been decreasing in the last five years. Packing material and transport are expensive. There is neither a particular policy or export strategy, nor a specific support institution for the sector (such as a design school or institute).

Table 8: Silk & Cotton

Strengths	Weaknesses
▪ Large number of weavers ▪ Sophisticated weaving techniques & patterns ▪ Combination of in-house production combined with outsourcing of work to weaver networks ▪ Companies are used to working with AZO-free chemical dyes and natural dyes ▪ JETRO has been providing design and marketing trainings for more than ten years	▪ Decreasing supply of local silk and cotton yarn ▪ Quality control and meeting delivery times during farming seasons ▪ High price of final products ▪ Product design is less adapted to EU trends ▪ Decreasing exports to Europe ▪ Lack of information about the EU market, weak understanding of European taste
Opportunities	**Threats**
▪ Hand-spun and handwoven cotton with indigo dyes is attractive for the European market ▪ Simplified designs with less intricate patterns for silk products are attractive for the European market as well	▪ Loss of domestic market share due to automatic weaving and cheap imports from China

6.2.3 NTFP & Wood

At least one company is FSC certified for rattan handicrafts like baskets, and exports small quantities to Europe. The WWF is supporting other companies to extend certified NTFP and wood production. Bamboo is widely used for different products. The certified company with its integrated production system and its own plantation can become a role model for other wood producers. The niche market for certified ecological products provides market opportunities for rattanware producers in Laos. Pied is interesting as a raw material for products with an unusual appearance.

The main constraints regarding the supply of raw materials are that the price of bamboo is increasing with about 15% per year, and the price of rattan is increasing as well. Rattan and bamboo harvesting permits are pending. The natural resource tax has increased. The government does not yet separate rattan and bamboo from timber products. There is a lack of forest management. Rattan forest should be well zoned. The government gives bamboo forest concessions to foreign investors. Rattan harvesting is difficult, deep in the forest zones. Road conditions and public transportation services are bad. Cutting permits for wood are pending until a sustainable forest management plan is approved.

With regard to production, companies produce small quantities of bamboo and rattan handicrafts. The quality of rattan weaving is rather poor and products are quite simple. NTFP companies have weak quality control systems. Tools and equipment have to be imported and are available in insufficient quantities. NTFP companies have limited production techniques and do not meet standards. Only 1-3 NTFP companies are currently FSC certified, and these face difficulties renewing their certification in 2017. Only one company produces wooden home decoration items using material from a sustainable plantation. At finishing and trading level, the export of NTFP products is currently at pilot project stage only. Companies do not have export experience and market contacts, except for one wood trading company.

Table 9: NTFP & Wood

Strengths	Weaknesses
▪ At least one company is FSC-certified for rattan ▪ The WWF is supporting other companies to extend certified NTFP and wood production ▪ Bamboo is widely used for different products ▪ One company with high export turnover offers teak wood accessories from an integrated production system with its own plantation	▪ Rattan, bamboo & wood harvesting permits are pending ▪ Decreasing raw material resources, no sustainable forest management leading to increasing raw material cost ▪ Small production volume of NTFP products ▪ Poor quality of rattan baskets ▪ Difficulties financing renewed certification ▪ Very small exports of NTFP products at pilot project stage ▪ Lack of market contacts and export experience in Europe
Opportunities	**Threats**
▪ There is a niche market for certified ecological products ▪ Pied is interesting as a raw material for products with an unusual appearance	▪ Deforestation and depletion of natural resources ▪ Better-paid jobs in other sectors

6.3 Main barriers hindering export to Europe

The main barriers hindering silk and cotton exports to Europe are the relatively high product prices, the fact that there is little design adaptation to follow European market trends and that there is no regular trade promotion support to increase exports to Europe.

The main barriers hindering the export of NTFP & wood products to Europe are the small quantities, simple products and lack of regular trade promotion support.

Table 10: Main export barriers to Europe

1. Silk & Cotton	▪ High product prices ▪ Concentration on the domestic market ▪ Little design adaptation to follow European trends ▪ Lack of market knowledge and contacts ▪ No regular trade promotion support to develop the European market
2. NTFP & Wood	▪ Small quantities, simple products ▪ Lack of market knowledge and contacts ▪ No regular trade promotion support

6.4 Potential to learn from Vietnam

As the industry is much more developed in Vietnam, Laos can benefit from cooperating with Vietnam by sharing experience. Both the Lao Handicraft Association and the companies in the sector welcome an intensified exchange. Possibilities are:[28]

- Direct purchasing of silk yarn from reeling centres in Vietnam
- Direct purchasing links with accessories wholesalers in Vietnam
- Studying organisational models of Vietnamese companies
- Mobilisation of Vietnamese experts for technology transfer

[28] Source: VIETCRAFT presentation November 2016

- Transfer of silk yarn reeling knowledge to Laos, e.g. based on promotion of joint ventures
- Participation in regional trade shows such as LIFESTYLE Vietnam
- Exchange on organisational development among the handicraft associations

7 Value chain upgrading solutions

7.1 Cotton & Silk

The industry should pursue a well-balanced development of both the domestic and the international market. Hand-spun local cotton production, indigo dyes and local sericulture should be supported in particular. To reduce costs, direct purchasing of silk from producers in neighbouring countries should be promoted, accompanied by trainings on productivity development and quality control. The product range should be diversified and design innovation should be encouraged. A design institute or school should be set up. Companies need to have more opportunities to attend international trade fairs regularly in order to increase market exposure, export know-how and make business contacts. Companies should develop close links to the mid-high organic/fair trade market in Europe in particular.

Table 11: Overview Silk & Cotton – Changes and growth potential

Changes to be implemented	Growth potential within 5 years
▪ Promote hand-spun local cotton production, indigo dyes and local sericulture ▪ Promote direct purchasing of silk from producers in neighbouring countries ▪ Training on productivity development and quality control ▪ Product diversification and design innovation ▪ Set up a design institute/school ▪ Trade fair participation programme	The textile industry in Laos reduces its orientation and dependence on the domestic market and becomes an industry that is successful on both the domestic and export market. The reliance on silk will be reduced; the production of cotton specialty products receives more attention. The expected impact would be that 10 companies double their current combined export turnover of $470,000 per year and increase their permanent and part-time workforce by 320 workers.

7.2 NTFP & Wood

Manufacturers of non-timber forest products and wooden decoration items need to develop business models that are based on sustainable management of natural resources. The introduction of certification schemes requires access to markets that allow covering the cost of certification. Access to larger markets like the European market and regular export of larger quantities are needed. Potential customers need to be identified, especially on the mid-high eco-oriented fair trade niche market. Market exposure needs to be increased to develop better know-how and contacts.

Table 12: Overview NTFP & Wood – Changes and growth potential

Changes to be implemented	Growth potential within 5 years
▪ Certification of producers ▪ Improvement of product quality ▪ Adaptation of product design ▪ Participation in EU trade fairs	A number of NTFP & wood producers export baskets, bags, trays and other small interior decoration to the European market, based on sustainable forest and plantation management and certification. The companies show that bigger volumes can be exported and can become role models for a larger part of the NTFP & wood industry in Laos. The expected impact would be that 5 companies double their combined annual turnover of $250,000 and provide employment to another 300 workers.

7.3 Services

The Lao Handicraft Association's role in lobbying for improved framework conditions and in providing trainings and information to its members should be strengthened.

Table 13: Overview general changes and growth potential

General changes to be implemented	General growth potential within 5 years
▪ Development of a national handicraft sector policy ▪ Exchange programme among Southeast Asian handicraft associations	The government should make handicrafts a priority and develop a sector development policy, with a strategy that touches upon all levels of the supply chain including a centre/institute for silk. The handicraft companies increase their competitiveness based on intensified business contacts and improved services to provide training and information.

8 Social Responsibility Risk Assessment

The following general statements can be made regarding the Social Responsibility Risk assessment:

- Most companies are small-scale and lack appropriate documentation and control mechanisms. Only 2 out of 20 companies can refer to external certification/auditing.
- Most of the assessed companies are particularly important for women's employment. Out of 20 companies assessed, 17 are managed and/or owned by women.

In detail, the social responsibility assessment has been conducted according to the following criteria.

Employment of children under the age of 15
Out of 20 companies assessed, only 2 companies have a written policy and internal monitoring on child labour, while 18 companies indicate having some measures implemented but having no particular policy. According to the assessment by the national consultant, all companies comply with the minimum legal age for employment. However, as many handicraft producers live and work at home with their families, it is possible that children take over some tasks and help in the family. A serious threat of child labour is unlikely, but there can be some child work at home in the families.
Risk level: moderate.
Awareness should be raised and certification should be promoted.

Forced compulsory labour (harassing, abusive and/or threatening working conditions, debt)
There is no incidence of forced labour. All 20 companies assessed indicate having implemented measures, though no written policy.
Risk level: minor.
No particular action needed.

Violation of human rights (political rights, civil liberties)
There is no incidence of the violation of human rights in the handicraft sector in Laos. Consequently, the awareness of companies on human rights issues is low. All companies indicate having implemented measures; only two companies have an internal monitoring system.
Risk level: minor.
No particular action needed.

Unfair employment terms (wages below minimum, excessive working hours)
One company is a member of the World Fair Trade Organization, all other companies indicate they have implemented fair labour practices. The national consultant indicates that all companies provide fair employment and meet the minimum legal requirements.
Risk level: minor.
No particular action needed.

Discrimination of workers (disadvantageous treatment of a person or group of people)
There are no particular issues; people receive equal pay for equal work.
Risk level: no particular risk.
No action needed.

Lack of freedom of association (trade unions)
There are no particular issues. The companies are family businesses, which mostly do not think about this issue. The companies are small, some do not have permanent employees. Workers can join labour unions, though they are not very keen to do so.
Risk level: minor.
No action needed.

Unequal opportunities for women (salary inequality, limited promotion opportunities, no maternity leave)
Companies provide special opportunities for women's employment both within the companies and at supplier level. 17 out of 20 companies are managed by women.
Risk level: no particular risk.
No action needed.

Occupational health and safety dangers for workers
The need for emergency procedures and emergency exits is not always evident, as much of the work in the textile sector is done at home. In other cases, companies refer to the fact that they have large open doors or open doors factories. Companies are not really aware of the need for protective equipment. Accidents are mostly not recorded, health and safety trainings are mostly not carried out. All companies indicate they have fire extinguishers.
Risk level: moderate.
Action needed. Awareness should be raised, trainings on occupational safety and health should be conducted and implementation should be monitored.

Non-compliance with local and/or international environmental regulations
Most companies are not aware of environmental requirements and have no special policies in place, as the government controls environmental regulations mostly only at factory level, not in the handicraft industry. The management of environmental issues needs to be improved, e.g. with regard to chemical dyes used for textiles.
Risk level: moderate.
Action needed. Awareness should be raised, trainings on environmental regulations should be provided and implementation should be monitored.

Excessive use of natural resources
There is no particular excessive use of natural resources. For rattan and bamboo, handicraft production is regarded as a means to contribute to the conservation of natural forests. Sustainable harvesting is promoted by the WWF and other actors. Wood is only accepted if it comes from a plantation or certified exploitation.
Risk level: minor.
No particular action needed.

Environmental harm by polluted water, harmful gases and/or other waste
19 out of 20 companies have no appropriate management and storage of hazardous substances. This can be a risk in terms of the use of chemicals for textiles and paints for rattan and bamboo. Most company owners are aware of the risk of chemicals, but not many are likely to invest in treatment systems. The waste water with chemical substances mostly goes to public drainages.
Risk level: moderate.
Action recommended. Training on Cleaner Production should be given and the implementation should be monitored.

Corruption in the sector (the abuse of entrusted power for private gain)
Most companies in the value chain have no written anti-corruption policy but sensitise their staff to avoid corruption.
Risk level: moderate.
Action possible. Awareness raising on corruption problems at political level.

Lack of traceability on the origin of raw materials used for production
Most companies say they are aware of the use and origin of their raw materials and related sustainability issues, but companies do not know the source of imported raw materials. Rattan,

bamboo and wood need to be purchased from sources with a harvesting permit and/or FSC certification.
Risk level: moderate.
Action recommended. Reliable sourcing from well-known suppliers should be promoted.

9 Annex

Annex I: Bibliography

Annex II: Company database

Annex III: CBI SR risk

Annex I: Bibliography

CBI (2015), Alternative distribution channels

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CBI Scenario Planning Home Decoration & Home Textiles

EU (2016), European Economic Forecast Winter 2016

EU/EFTA country import statistics are used as statistical data.

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www.butlers.com

www.changemaker.ch

www.contigo.de

www.forum-fairer-handel.de, Zahlen & Fakten (2016)

www.hermes.com

www.ikea.com

www.laohandicraftassociation.com

www.primark.com

www.trademap.org

www.undp.org

www.worldbank.org

Annex II: Company database

#	Company name	Address	Phone	Mail / Website	Main products	Main Market	Association
1	**Burapha Agroforess**	Kaysone Phomvihane Av, 46 Phonesaat Village P.O Box 11834 Vientiane	(856) (0) 21 451184	info@buraphawood.com www.buraphawood.com	Floor tiles, furniture for garden	-	LFA, ECCIL
2	**DANLAO**	Phaxay Village, Sisattanak District, Vientiane Capital	-	-	Rattan raw materials and semi-products, rattan furniture and handicrafts	Raw materials to Thailand, rattan baskets to Switzerland	LRBSPG
3	**Fa Wattana**	209 Chao Anou Rd. Thongkhankham Village, Chanthabouly District, Vientiane Capital	-	-	Silver and gold jewelry, silver ware	-	LHA
4	**Houey Hong Vocational Training Centre for women**	B. Houey hong Chanthabouli Dist	(856-21) 560 006 (856-20) 5499 1115	houeyhong98@gmail.com	Scarves, Lao skirts	Abroad and domestic	LHA
5	**Khaisy Handicraft**	B. Nongbouathong Chanthabouli Dist	(856-21) 251 666 (856-20) 28 215575	-	Scarves, Lao skirts	Domestic, abroad	LHA
6	**Lao Cotton State Enterprise**	B. Khounta thong Sekhottabong Dist	(856-21) 215 840 Fax: (856-21) 222 443	laocotton@laotel.com	Cotton fabric, men's apparel, women's apparel, bag, etc.	Abroad and domestic	LHA, LCC, LBWA
7	**Maicome Handicraft**	B. Sokpaluang Sesattanak Dist	(856-21) 312 275	jancome@maicome.com	Scarves, Lao skirts		LHA
8	**Nikone Handicraft Center**	B. Dongmieng Chanthabouli Dist	(856-21) 212 191 (856-20) 555 02772	nikone@laotel.com	Scarves, fabric	Abroad and domestic	LHA

9	**OCKPOPTOK**	Luang Prabang Province	(856-71) 252 803 (856-20) 222 32203	veomanee@ockpoptok.com	Scarves, wall hanging, etc.	Abroad and domestic	LP CCI, LHPA, LFT
10	**Phaeng Mai Gallery**	B. Nongbouathong Chanthabouli Dist	(856-21) 540 105	phaengmai@etllao.com	Scarves, Lao skirts	Abroad and domestic	LHA, WCC, WSA, ISA
11	**Phai Exclusive Handicraft**	Ban Thongtom Chanthaboury District Vientiane capital	(856-20) 55476700	phaiexs@gmail.com	Bamboo furniture	Domestic, abroad	LHA
12	**Phontong Cama**	B. Phontong Chanthabouli Dist	(856-21) 560 598	info@mulberries.org	Scarves, fabric, tea	Abroad and domestic	LHA, WFTO, ASOC
13	**PMC (Productivity and Marketing Center of Oudomxai)**	Pasak Village Xai District, Oudomxai Province	081 212803	-	(vine) bags, products from handicraft fibre	-	LHA
14	**Sao Ban Handicraft**	B.Mixay Chanthabouli Dist	(856-21) 241 835 (856-20) 544 44743	Soubandithlattanavong @gmail.com	Scarves, fabric	Abroad and domestic	LHA, LFT
15	**Singthong Cotton Handicrafts**	Nayang Village, Nambak District, Luang Prabang Province	-	-	Cotton scarves, shawls, floor rugs, cotton fabric	Thailand, other countries like Japan, but no direct export but supply to exporters	LPHA
16	**Siorn Handicraft**	B.Amone Saysettha Dist	(856-21) 460 816 (856-20) 55 663168	siorn@yahoo.com	Scarves, Lao skirts	Domestic, abroad	LHA
17	**SMP wood**	Ban Nong Beuk Sykhodtabon District Vientiane Capital	(856-20) 555521597 5555 4878	-	Wood carving	Domestic, abroad	LHA, LFA
18	**Tai Lue Cotton Products**	Nayang Tai Village, Nambak District, Luang Prabang Province	-	-	Cotton scarves, shawls	-	-

19	**Taykeo Textile Gallery**	B. Saphanthong Sesattanak Dist	(856-21) 314 031 (856-20) 555 10837	taykeo1@hotmail.com	Scarves, Lao skirts	Domestic, abroad	LHA, BWA, US-ACTI
20	**XaoBan Handicraft Bamboo**	Ban Thakao	(856-20) 55043515	phaiexs@gmail.com	Ratton, bamboo basket	Domestic	LHA
21	**Ammalinh Lao Silk**	B.Nakham Sekhottabong Dist	(856-21) 223 056	atsavinh@laotel.com	Lao skirts	Domestic	-
22	**Ancient Weaving Handicraft**	Luang Prabang Province	(856-71) 215 157 (856-20) 555 408133	vandala1@hotmail.com	Scarves, Lao skirts	-	-
23	**Chinda Silk-Cotton**	B. Saphanthong Sesattanak Dist	(856-21) 451 156 Fax : (856-21) 451 156	nitnoi_chinda@yahoo.com	Lao skirts	Domestic	-
24	**K & B Furniture**	160 Sokphaluang Village Sisattanak District Vientiane	(856) (0) 21 314609	kbfurniture@laopdr.com	Furniture and home accessories	-	-
25	**Kanchana**	-	(856-21) 213 467 Fax: (856-21) 212 899	kanchana_sisane@hotmail.com	Scarves, Lao skirts	Domestic, abroad	-
26	**Keuamay Shop**	B. Sesavad Chanthabouli Dist	(856-21) 222 918 (856-20) 55 420420 Fax : (856-21) 244 244	-	Lao suit	Domestic	-
27	**Krittaphong**	Ban Nong Beuk Sykhodtabon District Vientiane Capital	(856-21) 214080 (856-20) 5566 3591	infoktp-group.com	Wood carving	Domestic, abroad	-
28	**Krittaphong**	Ban Nong Beuk Sykhodtabon District Vientiane Capital	(856-21) 214080 (856-20) 5566 3591	infoktp-group.com	Wood carving	Domestic, abroad	-
29	**Lao Textile**	B. Mixay Chanthabouli Dist	(856-21) 212 123 Fax: (856-21) 216 205	ccassidy@laotextiles.com	Scarves, etc.	Domestic, abroad	-
30	**Lao Textile collection**	Luang Prabang Province	(856-71) 253 267 (856-20) 55670 552	keomontree@yahoo.com	Scarves, Lao skirts	Domestic	-

31	**Madstann Co. Ltd.**	B. Phontong Chanthabouli Dist	(856-21) 264 860 (856-20) 555 694109	-	Scarves, Lao skirts	Domestic, abroad	-
32	**Magic Lao Carpets Handicraft**	B. Nongdouan Sekhottabong Dist	(856-21) 216 854 (856-20) 555 18189	lanipha@gmail.com	Lao magic	Domestic, abroad	-
33	**Mai savanh Lao Co. Ltd.**	B. Salakham Hadsayfong Dist	(856-21) 812 256 Fax : (856-21) 812 256	info@maisavanhlao.org	Scarves, fabric, silk fashion		-
34	**Mrs.Sian Lao Silk Handicraft**	Houaphan Province	(856-20) 2234 9929	-	Scarves, Lao skirts	Domestic	-
35	**Mulberry**	Production Centre in Xiengkhouang Province; Shop in Vientiane: Nokeokoummane Road Mixai Village Vientiane Capital	(856-21) 241 217 (856-21) 263 371	-	Silk scarves, skincare products made with silk protien	-	-
36	**Naly Lao Silk Handicraft**	Houaphan Province	(856-20) 544 63277	-	Scarves, Lao skirts	Domestic	-
37	**ORA Design Sole Co. Ltd.**	B. Thapalanxay Sesattanak Dist	(856-20) 7654 8880	anou@oradesign.net	Scarves, fabric	Domestic, abroad	-
38	**Pasend Handicraft**	-	(856-20) 55403594 22255625	somphet.khodsimeuang @gmail.com Fb: khodsimeuang	Scarves, Lao skirts, souvenirs	Domestic	-
39	**Phai Exclusive Handicraft**	Ban Thongtom Chanthaboury District Vientiane capital	(856-20) 55476700	phaiexs@gmail.com	Bamboo furniture	Domestic, abroad	-
40	**Phakaned Handicraft (BHPE)**	B. Phontong Chanthabouli Dist	(856-21) 561 656	thongsai@etllao.com	Lao tea, scarves	Domestic, abroad	-
41	**Sisterhood Handicrafts**	B. Phonphanao Saysettha Dist	(856-20) 2235 3955	nou.sisterhood@gmail.com	Souvenirs	Domestic	-

42	**Soie de Lune (Lao) Co., Ltd.**	B. Khounta thong Sekhottabong Dist	(856-30) 777 4044 (856-20) 777 2778	kasama@soiedelune.com	Scarves, fabric	Domestic, abroad	-
43	**Song Meu nang Individual Engerprise**	B. Thadluang kang Saysettha Dist	(856-20) 599 69696 (856-20) 222 17678	taemayssd@yahoo.com	Scarves, Lao skirts	Domestic	-
44	**Tam lay lao Handicraft**	B. Sisangvone Saysettha Dist	(856-20) 777 70363	-	Scarves, Lao skirts	Domestic, abroad	-
45	**Thida Craft**	B. Nahai Hadsayfong Dist	(856-21) 216 194 (856-20) 555 12860	thidact@laotel.com	Scarves	Domestic, abroad	-
46	**Varitha Handicraft**	Champasak Province Vientiane Province	(856-20) 55 413655	-	Scarves, Lao skirts	Domestic	-
47	**XaoBan Handicraft Bamboo**	Ban Thakao	(856-20) 55043515	phaiexs@gmail.com	Rattan, bamboo baskets	Domestic	-
48	**Your Silk Individual Interprise**	B. Oumong Sekhottabong Dist	(856-21) 215 157	yoursilk@hotmail.com	Scarves, Lao skirts	Domestic	-

Annex III: CBI SR risk

Social responsibility risk indicator (see Sheet Risk Scoring - Sources & Guide)	VC analysis/BC risk level sector	Progress reports ECP companies STATUS Risk level	Anticipated risk level ECP companies end of the programme	Possibility for solution (CBI or 3rd party)
Children under age of 15 are employed				Yes
Forced or compulsory labour (harassing, abusive and/or threatening working conditions, debt bondage, trafficking)				No
Violation of human rights (political rights, civil liberties)				No
Unfair employment terms (wages below minimum, excessive working hours)				No
Discrimination of workers (disadvantageous treatment of a person or group of people)				No
Lack of freedom of association (trade unions)				No
Unequal opportunities for women (salary inequality, limited promotion opportunities, no maternity leave)				No
Occupational health and safety dangers for workers				Yes
Non-compliance with local and/or international environmental regulations				Yes
Excessive use of natural resources				No
Environmental harm by polluted water, harmful gases and/or other waste				Yes
Corruption in the sector (the abuse of entrusted power for private gain)				Yes
Lack of traceability on the origin of raw materials used for production				Yes

<table>
<tr><th colspan="2">1. Children under age of 15 are employed</th><th>Comments risk level</th><th>CBI intervention</th></tr>
<tr><td>PITCH Value from index or ranking</td><td>10%</td><td rowspan="11">Out of 20 companies assessed, only 2 companies have a written policy and internal monitoring on child labour, while 18 companies indicate having implemented measures but no particular policy. According to the assessment by the national consultant, all companies comply with the minimum legal age for employment. However, as many handicraft producers live and work at home with their families, it is possible that children take over some tasks and help in the family. A serious threat of child labour is unlikely, but there can be some child work at home in the families.
Risk level: moderate.</td><td rowspan="11">Raise awareness and promote certification</td></tr>
<tr><td>PITCH Index score translated in risk level</td><td></td></tr>
<tr><td>VC analysis/BC risk level sector</td><td></td></tr>
<tr><td>Progress reports ECP companies STATUS Risk level</td><td></td></tr>
<tr><td>Anticipated risk level ECP companies end of the programme</td><td></td></tr>
<tr><td>CBI contribution to anticipated risk level</td><td>Minor</td></tr>
<tr><td>Social Responsibility Index</td><td>0,25</td></tr>
<tr><td>Inclusion in M&E</td><td>Yes</td></tr>
<tr><td>Possibility for solution (CBI or 3rd party)</td><td>Yes</td></tr>
<tr><td>Actor to whom risk applies</td><td>Exporter & Supplier</td></tr>
<tr><td>Third-party solution</td><td></td></tr>
</table>

<table>
<tr><th colspan="2">2. Forced or compulsory labour (harassing, abusive and/or threatening working conditions, debt bondage, trafficking)</th><th>Comments risk level</th><th>CBI intervention</th></tr>
<tr><td>PITCH Value from index or ranking</td><td>37</td><td rowspan="11">There is no incidence of forced labour. All 20 companies assessed indicate they have implemented measures, though no written policy.</td><td rowspan="11"></td></tr>
<tr><td>PITCH Index score translated in risk level</td><td></td></tr>
<tr><td>VC analysis/BC risk level sector</td><td></td></tr>
<tr><td>Progress reports ECP companies STATUS Risk level</td><td></td></tr>
<tr><td>Anticipated risk level ECP companies end of the programme</td><td></td></tr>
<tr><td>CBI contribution to anticipated risk level</td><td>None</td></tr>
<tr><td>Social Responsibility Index</td><td>0,00</td></tr>
<tr><td>Inclusion in M&E</td><td>No</td></tr>
<tr><td>Possibility for solution (CBI or 3rd party)</td><td>No</td></tr>
<tr><td>Actor to whom risk applies</td><td>Exporter</td></tr>
<tr><td>Third-party solution</td><td></td></tr>
</table>

3. Violation of human rights (political rights, civil liberties)		Comments risk level	CBI intervention
PITCH Value from index or ranking	12	There is no incidence of the violation of human rights in the handicraft sector in Laos. Consequently, the awareness of companies on human rights issues is low. All companies indicate having measures implemented; only two companies have an internal monitoring system.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Supplier		
Third-party solution			

4. Unfair employment terms (under minimum wages, excessive working hours)		Comments risk level	CBI intervention
PITCH Value from index or ranking		One company is a member of the World Fair Trade Organization, all other companies indicate they have fair labour practices implemented. The national consultant indicates that all companies provide fair employment and meet the minimum legal requirements.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

5. Discrimination of workers (disadvantageous treatment of a person or group of people)		Comments risk level	CBI intervention
PITCH Value from index or ranking		There are no particular issues, people receive equal pay for equal work.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Exporter		
Third-party solution			

6. Lack of freedom of association (trade unions)		Comments risk level	CBI intervention
PITCH Value from index or ranking		There are no particular issues. The companies are family businesses, which mostly do not think about this issue. The companies are small, some do not all have permanent employees. Workers can join labour unions, though they are not very keen on doing so.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Exporter		
Third-party solution			

7. Unequal opportunities for women (salary inequality, limited promotion opportunities, no maternity leave)		Comments risk level	CBI intervention
PITCH Value from index or ranking	141	Companies provide special opportunities for women's employment, both within the company and at supplier level. 17 out of 20 companies are managed by women.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

8. Occupational health and safety dangers for workers		Comments risk level	CBI intervention
PITCH Value from index or ranking		The need for emergency procedures and emergency exits is not always evident, as much of the work in the textile sector is done at home. In other cases, companies refer to large open doors or open doors factories. Companies are not really aware of the need for protective equipment. Accidents are mostly not recorded, health and safety trainings are mostly not conducted. All companies indicate they have fire extinguishers.	Raise awareness, provide trainings on occupational safety and health and monitor implementation.
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	Moderate		
Social Responsibility Index	0,50		
Inclusion in M&E	Yes		
Possibility for solution (CBI or 3rd party)	Yes		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

9. Non-compliance with local and/or international environmental regulations		Comments risk level	CBI intervention
PITCH Value from index or ranking		Most companies are not aware of environmental requirements and have no special policies in place, as the government controls environmental regulations mostly only at factory level, not in the handicraft industry. The management of environmental issues needs to be improved, e.g. with regard to chemical dyes used for textiles.	Raise awareness, provide trainings on environmental regulations and monitor implementation.
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	Moderate		
Social Responsibility Index	0,50		
Inclusion in M&E	Yes		
Possibility for solution (CBI or 3rd party)	Yes		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

10. Excessive use of natural resources		Comments risk level	CBI intervention
PITCH Value from index or ranking	148	There is no particular excessive use of natural resources. For rattan & bamboo, handicraft production is regarded as a means to contribute to the conservation of natural forests. Sustainable harvesting is promoted by the WWF and other actors. Wood is only accepted if from a plantation or certified exploitation.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

11. Environmental harm by polluted water, harmful gases and/or other waste		Comments risk level	CBI intervention
PITCH Value from index or ranking	not available	19 out of 20 companies have no appropriate management and storage of hazardous substances. This can be a risk in terms of the use of chemicals for textiles and paints for rattan and bamboo. Most company owners are aware of the risk of chemicals, but not many are likely to invest in treatment systems. The waste water with chemical substances mostly goes to public drainages.	Training on Cleaner Production, monitoring of the implementation
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	Yes		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

12. Corruption in the sector (the abuse of entrusted power for private gain)		Comments risk level	CBI intervention
PITCH Value from index or ranking	145	Most companies in the value chain have no written anti-corruption policy but sensitise their staff to avoid corruption.	Awareness raising on corruption problems at political level
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	Moderate		
Social Responsibility Index	0,00		
Inclusion in M&E	Yes		
Possibility for solution (CBI or 3rd party)	Yes		
Actor to whom risk applies	Exporter		
Third-party solution			

13. Lack of traceability on the origin of raw materials used for production		Comments risk level	CBI intervention
PITCH Value from index or ranking		Most companies indicate they are aware of the use and origin of their raw materials and related sustainability issues, but companies do not know the source of imported raw materials. Rattan, bamboo and wood need to be purchased from sources with harvesting permits and/or FSC certification.	Promote reliable sourcing
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	Moderate		
Social Responsibility Index	0,50		
Inclusion in M&E	Yes		
Possibility for solution (CBI or 3rd party)	Yes		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			