CBI
Ministry of Foreign Affairs

Export Value Chain Analysis

Home Decoration & Personal Accessories
Myanmar

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III. Acronyms

ASEAN	Association of Southeast Asian Nations
BIF	Business Innovation Facility
BSCI	Business Social Compliance Initiative
CAM	Cambodia
CBI	Centre for the Promotion of Imports from developing countries
CE	Communauté Européenne (European Community)
CITES	Convention on International Trade in Endangered Species
CMP	Cut-Make-Pack
CSR	Corporate Social Responsibility
DFID	Department for International Development
EFTA	European Free Trade Association
EU	European Union
FLEGT	Forest Law Enforcement and Governance of Trade
FOB	Free On Board
FWF	Fair Wear Foundation
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit
GNI	Gross National Income
GOTS	Global Organic Textile Standard
HDHTG	Home Decoration, Home Textiles and Gifts
HS	Harmonized System
IPD	Import Promotion Desk
ITC	International Trade Centre
JETRO	Japan External Trade Organisation
JICA	Japan International Cooperation Agency
LAO	Lao People's Democratic Republic
MACA	Myanmar Arts and Crafts Association
MFTPMF	Myanmar Forest Products and Timber Merchants Federation
MGJEA	Myanmar Gems and Jewellery Entrepreneurs Association
MGMA	Myanmar Garments Manufacturers Association
MLEA	Myanmar Lacquerware Enterprises Association
MRBEA	Myanmar Rattan and Bamboo Entrepreneurs Association
MRCCI	Mandalay Region Chamber of Commerce and Industries
MTMA	Mandalay Textile Manufacture Association
MYA	Myanmar
NES	National Export Strategy
OGL	Open Government License
Oeko-tex	Oeko-Tex Standard 100
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 Enterprise

SR	Social Responsibility
SWOT	Strengths, Weaknesses, Opportunities, Threats
UAE	United Arabs Emirates
UK	United Kingdom
UMFCCI	Union of Myanmar Federation of Chambers of Commerce and Industry
UNIDO	United Nations Industrial Development Organisation
USA	United States of America
VC	Value Chain
WFTO	World Fair Trade Organisation

1 Introduction

This CBI study was compiled as part of a series of three value chain studies for home decor 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 Myanmar
- A market survey in Europe among 25 importers and market consultants
- A field visit to Myanmar (meetings with key informants from the handicraft association, donor organisations and leading firms)
- The validation of findings at a national conference with 48 participants in Yangon

The research was conducted by a team made up of an international and a local consultant, with support from CBI, the Myanmar Arts and Crafts 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, Myanmar is the second-largest exporter of home decoration, home textiles and gifts to the European market, with a value of US$12.396 million for selected HS codes in 2015, while Cambodia is by far the most important exporter with a value of $44.874 million and with imports from Laos amounting to $0.391 million. All three countries are lagging far behind Vietnam, with an export volume of $441.975 million, which can serve as a benchmark.

Basketry and wickerwork is traditionally the most important export product from Myanmar in home accessories, home textiles and gifts. With a total export value of basketry to Europe of $1.7 million, nearly half of all official basketry exports from Myanmar went to Europe (the total exports of basketry from Myanmar in 2015 were $3.7 million). However, since 2015, the main product groups in the home decoration, home textiles and gifts sector imported from Myanmar to Europe are 1) suitcases, bags, wallets, 2) home textiles, and 3) scarves and accessories of textile materials. While still of minor importance in 2014, exports of all three groups exploded in 2015. This strong growth is thought to be due to industrial manufacturing unit(s) in the garment industry. Belgium, Germany, France, the Netherlands and the United Kingdom were the main European importers of home accessories, home textiles and gifts in 2015.

Myanmar has a population of 54 million people and a gross national income of $1,280 per capita. With a minimum wage of $2.8 per day, Myanmar has a very low wage level even for regional standards. As for the production of home decoration, home textiles and gifts in Myanmar, seven main groups of producers can be identified: 1) rattan ware producers, 2) the textile industry, 3) lacquerware producers, 4) woodworking companies, 5) silver and bronze ware and sea shell products manufacturers, 6) stone carving, gemstone pictures and jade producers and 7) companies producing baskets from recycled material.

The companies in Myanmar are mainly focusing on handmade production. The textile industry provides the most employment, with about 30,000 workers at production level. Woodworking companies employ about 10,000 people. About 3,000-3,500 persons derive their income from basket weaving or lacquerware production. Stone carving, gemstone pictures, jade, sea shell products, silverware, bronze and recycled baskets account for another 6,000 workers. In total, the industry is estimated to employ more than 50,000 persons at production level alone. In addition, income is generated for a large number of raw material suppliers, such as rattan or lacquer sap collectors, and there is further employment at the finishing and trading level.

The goods are mainly produced for three markets: domestic consumers, the tourism market and the export market. While up to 90% of rattan ware is produced for the export market by 10 companies, for all other products, except recycled baskets, more than 90% is produced for the local market.

The main ministries in charge of the industry are the Ministry of Commerce with its trade promotion organisation Myantrade, the Ministry of Industry with its SME Development Department and SME Center and the Ministry of Natural Resources and Environmental Conservation with its Forest Department. Each product group has its own producer association. Most associations are young, having only been created in the last two years, and can only provide few services to their members. The Myanmar Arts and Crafts Association (MACA) represents different handicraft producers; though for the time being only in Yangon. Ongoing initiatives particularly include the EU-funded MYANTRADE Development Program that supports the Myanmar government in implementing the National Export Strategy. Three UK-funded projects address issues of sustainable sourcing of rattan and bamboo raw material.

Rattan ware, lacquerware and textiles are regarded as being the three main product groups of home decoration, home textiles and gifts with the highest export promotion potential. The most promising product group for export in Myanmar is rattan ware. The industry has a large workforce and a number of experienced exporters. It has a good raw material base and absolute competitive advantages for producing useful, standard household items. The cost of rattan weaving at household level is said to be 40% cheaper than in Vietnam. Basketry was the most important regular handicraft export product group over the last five years, with multiple container loads of exports every month. Big European companies show additional interest in rattan ware from Myanmar.

The second most promising product group is lacquerware. Myanmar is one of few countries that produce entirely handmade lacquerware products for home decoration. The industry generates income for a large number of cottage producers. There are some companies with initial export experience aiming at increasing exports. There is modernisation potential, as advanced technologies can be introduced. The third most promising product group are textile products. The textile industry has the broadest production base of all interior decoration and gift products. However, the industry is very much oriented towards the national market. None of the companies assessed has direct export experience. Products need adaptation to European market requirements.

The main general barrier hindering export to Europe is Myanmar's history of relative isolation, which has led to a strong lack of international market links, market knowledge and understanding of customer requirements and market trends. This concerns all product groups. Second, companies do not receive much support from associations and the government in terms of trade promotion support and training services, resulting in little innovation. The main barriers hindering rattan ware exports to Europe are inefficient input supply; lack of innovation and less competitive finishing; loose organisation of weaver groups; a risk of child labour; limited market contacts and knowledge. The main barriers hindering the export of lacquerware to Europe are outdated production techniques;

lack of food-safe colours and inputs for high quality finishing; few market contacts and limited market knowledge. The main barriers hindering the export of textiles are the lack of design innovation; non-use of AZO-free dyes and the lack of export experience among companies.

There is a lot of potential for Myanmar to benefit from experience sharing with Vietnam, by learning from its more sophisticated and competitive methods of product finishing for rattan ware and new ways of more efficient and eco-friendly lacquer processing. In the textile industry, there is the possibility of direct purchasing of silk yarn from reeling centres in Vietnam. Companies and associations in Myanmar are keen to assess company organisation models and technologies in Vietnam and to learn from Vietnamese specialists. The handicraft exporters' association VIETCRAFT can be a role model for the recently established associations in Myanmar. An exchange programme on organisational development and services of handicraft associations would be very helpful and would be welcomed by the associations in Myanmar.

Based on activities such as direct sourcing of rattan raw material, improved weaver group management with the introduction of CSR certification, the modernisation of finishing facilities and increased market exposure, the rattan ware industry has the potential to become a larger-scale exporter on the European market, competing with Indonesia and Vietnam. The expected impact would be that 10-15 companies double their current combined export turnover of $3.7 million per year. The number of weavers should increase accordingly by 3,000.

Based on activities like the introduction of improved drying facilities and food-safe colours, the diversification of the product range and increased market exposure, the lacquerware industry should be able to start exporting to Europe. The expected impact would be that 10 companies increase their current turnover by 50%, which would be equivalent to $2 million per year. The number of employed workers and sub-contracted household producers should increase accordingly by 750 persons.

In the textile industry, activities such as improved sourcing of quality cotton and silk, the introduction of AZO-free dyes, the innovation of product designs and increased market exposure should make it possible to open up export to Europe and achieve a more dynamic development. The expected impact would be that 6-10 companies increase their current turnover by 50%, which would be equivalent to $1.2-$2 million per year and an employment of 470 workers.

After long years with trade sanctions, the improvement of trade promotion services offers great potential for helping the industry develop. The capacity of both the governmental organisation Myantrade and the industry associations should be strengthened to provide better services. Certification schemes should be introduced.

The total impact of upgrading the value chain to be expected within a five-year period is an estimated increase in exports of $7-8 million per year and 4,220 new jobs. Such an impact would be highly favourable for developing a positive project business case and would be much higher than the investment needed. Therefore, a support project is recommended to increase the export of home decoration, home textiles and gifts to Europe.

As for the Social Responsibility Risk assessment conducted, most of the companies assessed are particularly important for women's employment and provide income opportunities for women. Thirty per cent of the companies assessed are managed by women. There are high risks with regard to child labour at family level in rural villages and regarding unfair employment terms, e.g. for rattan weavers, which should be addressed with a certification scheme. Moderate risks, for which improvements are suggested, exist regarding occupational safety and health, excessive use of natural resources, environmental pollution and corruption.

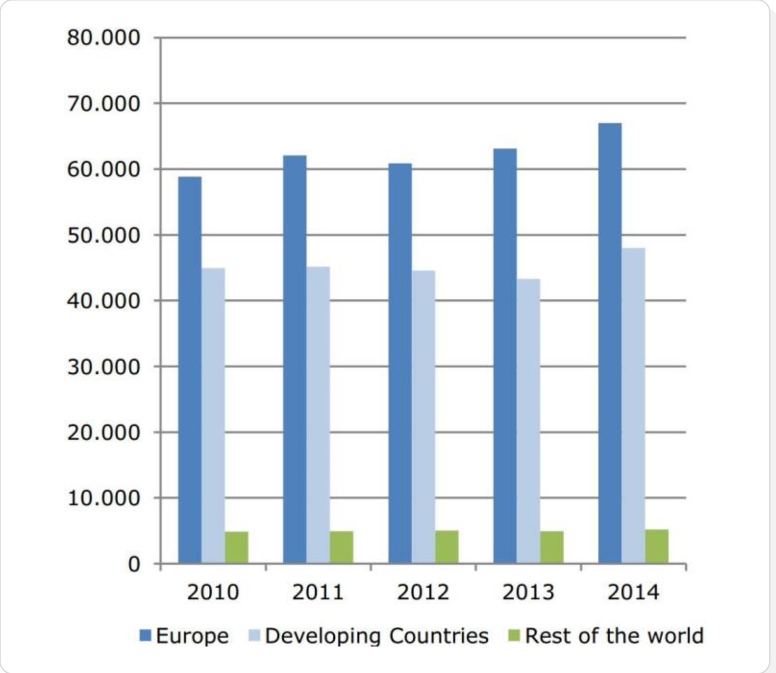
3 The European market for home decoration, home textiles and gifts

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]

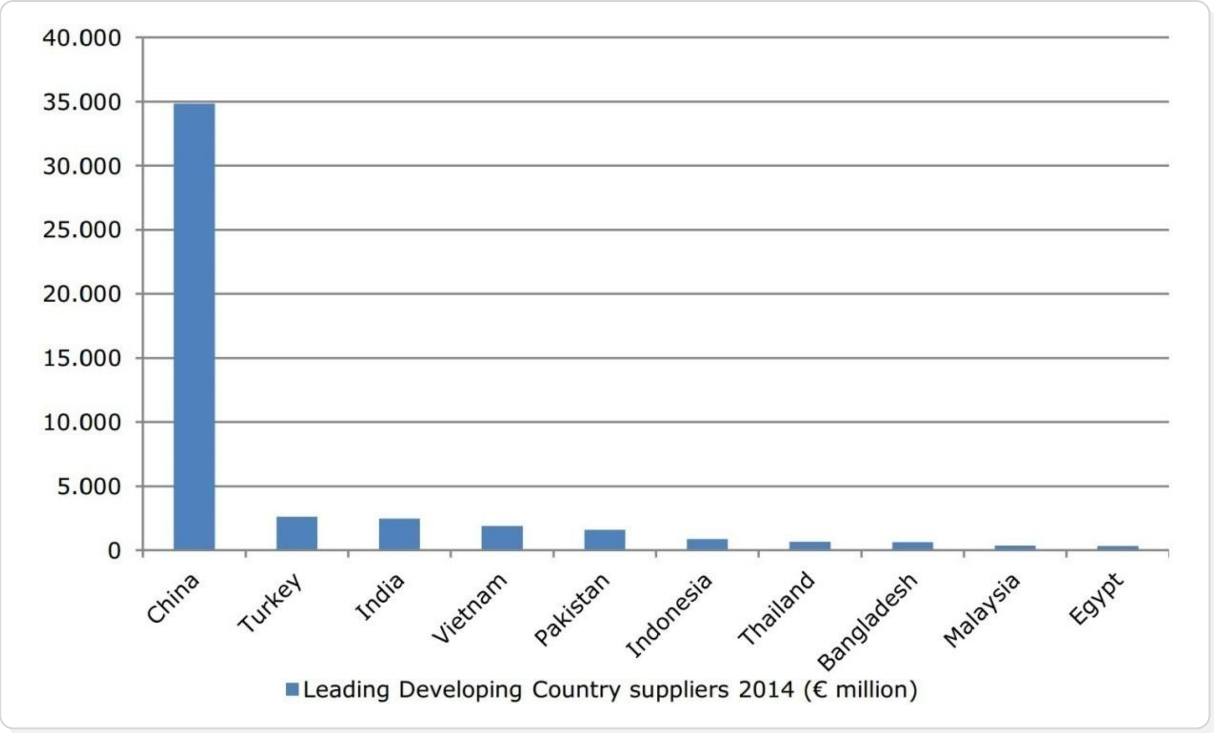


The average annual growth of imports of 2.5% from 2010-2014 indicates that the market recovered from the economic crisis in 2007-2009 and again shows a stable growth trend. Current European economic forecast data suggest that the growth trend is likely to continue. The European Commission expects a GDP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

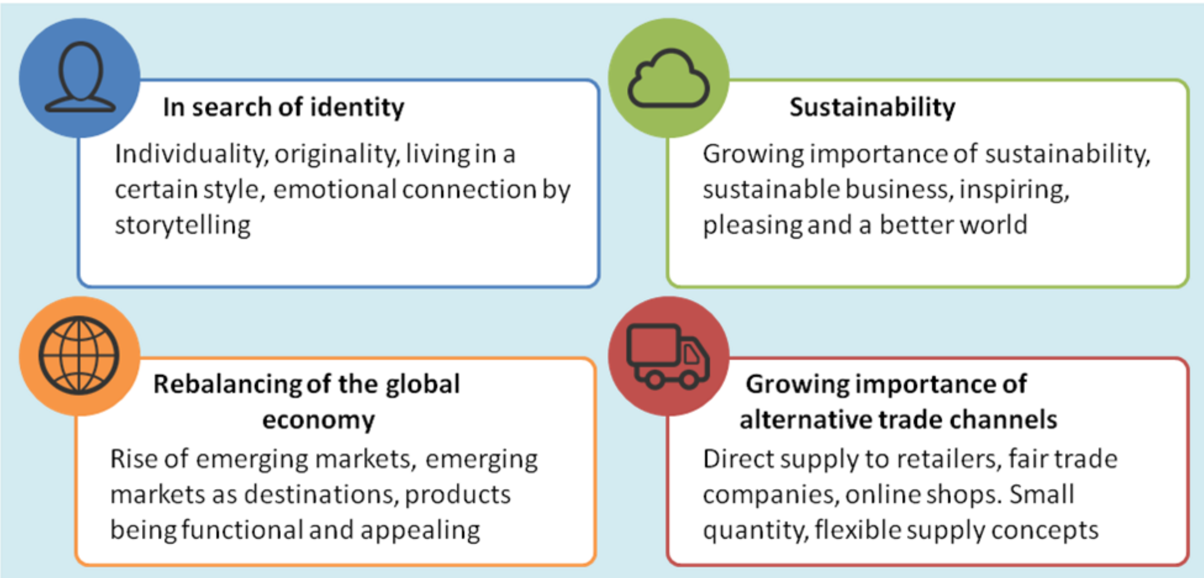
Producers from other countries mostly cannot compete with the economies of scale in these countries. In terms of market volume, the low-end market segment is the biggest.

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]

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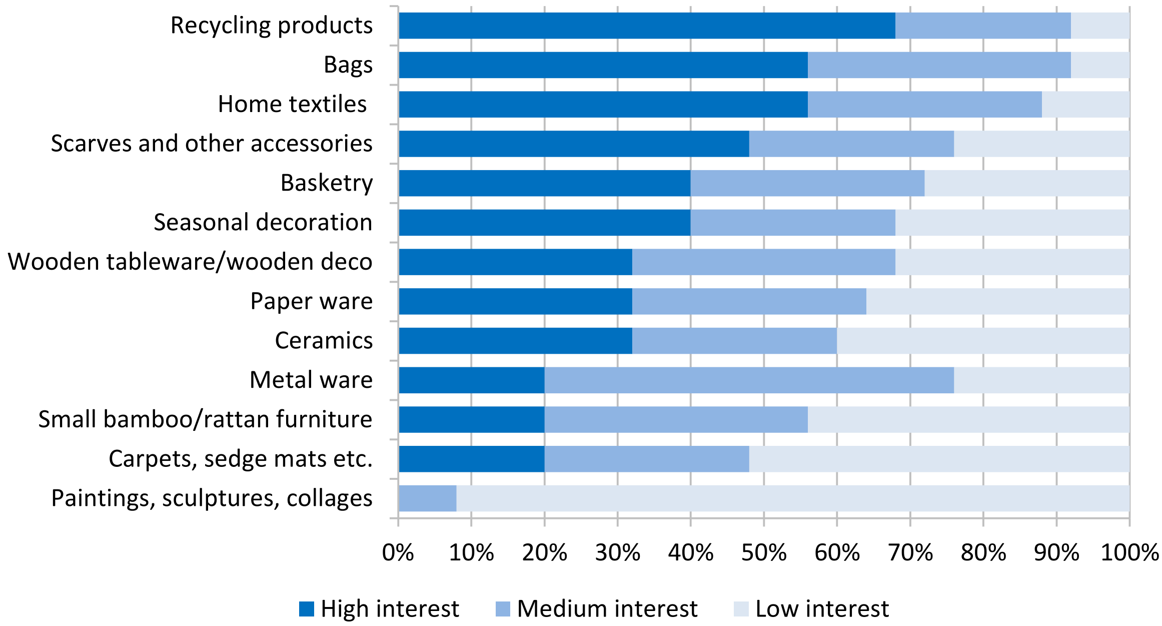
[14] CBI EU Buyer Requirements for Home Decoration and Home Textiles

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

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

their own reeling and weaving factories in the countries would 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 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 Myanmar

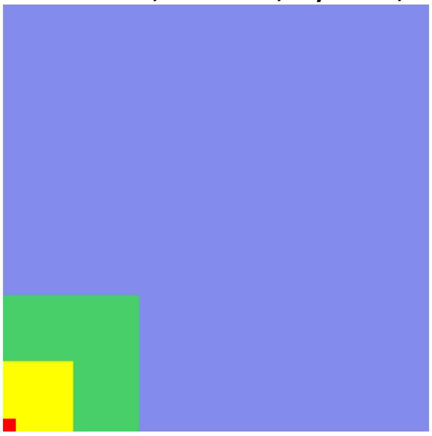
4.1 Regional overview Cambodia, Laos and Myanmar

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 $12.396 million, Myanmar's exports of home decoration, home textiles and gifts to the European market were quite low in 2015. Though Myanmar is much bigger than Cambodia in terms of population and natural resources, its exports of home decoration, home textiles and gifts only account for about 25% of Cambodia's exports. Compared to Vietnam, the value of Myanmar's exports was only 3%. There is still a lot of potential for increasing exports.

- 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 of imports of HDHTG from Vietnam, Cambodia, Myanmar, Laos



The main product groups within home decoration, home textiles and gifts from Myanmar, Cambodia and Laos are 1) suitcases, bags, wallets, 2) home textiles, and 3) scarves and accessories of textile materials. In all three product groups, Myanmar ranks second after Cambodia.

However, Myanmar is particularly strong at exporting basketry and wickerwork. The total value of basketry and wickerwork exports from Myanmar to Europe amounted to nearly $1.7 million, whereas Laos just exported basketry for a few thousand dollars and Cambodia exported just $62,000.

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 (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, seasonal (6702, 950510, 9601, 9701, 9703)	465	38	154	**657**
TOTAL	**44,874**	**391**	**12,396**	**57,661**

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

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.

4.2 Main product groups imported from Myanmar

Myanmar's exports of the assessed HS codes are largely dominated by the HS code 4202 (suitcases, bags, wallets etc.). With a value of $8.3 million, it accounts for two thirds of all exports of home decoration, home textiles and gifts from Myanmar. Still of no importance in 2010-2012, this product group only developed in the last two years (see Graph 8). This strong growth is likely due to some industrial manufacturing unit(s) in the garment industry in Myanmar. The same applies for the main market for suitcases, bags and wallets from Myanmar, which is the United States, where exports exploded from 0 in 2013 to $29.4 million in 2015.

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

European imports 2015		per HS code	Total
Suitcases, bags, wallets etc.			**8,349**
4202	Suitcases, bags, wallets etc. of leather, textile, plastics or other material	8,349	
Tableware, kitchenware, decoration items of wood			**112**
4419	Tableware and kitchenware, of wood	2	
4420	Wood parquetry, inlaid wood, cases, statuettes, ornaments etc.	110	
Basketry and wickerwork, woven mats, plaits, etc.			**1,691**
4601	Plaits and similar products of plaiting materials, mats, matting, screens	24	
4602	Basketwork, wickerwork and similar articles	1,667	
Scarves and accessories of textile material			**687**
6214	Shawls, scarves, mufflers, mantillas, veils and similar articles	571	
6217	Made-up clothing accessories and parts of garments or accessories	116	
Home textiles			**1,006**
6301	Blankets and travelling rugs of all types of textile materials	910	
6302	Bed linen, table linen, toilet linen, kitchen linen of textile materials	95	
6304	Articles for interior furnishing, of all types of textile materials	1	
Ceramics			**19**
6913	Statuettes and other ornamental ceramic articles	7	
6914	Ceramic articles	12	
Jewellery and silverware			**283**
7116	Articles of natural or cultured pearls, precious or semi-precious stones	278	
7117	Imitation jewellery	5	
Metalwork			**29**
8306	Bells, gongs, statuettes, ornaments, picture frames, mirrors of base metal	29	
Furniture, chairs made from bamboo or rattan			**65**
940151	Seats of bamboo or rattan	44	
940381	Furniture of bamboo or rattan	21	
Paintings, sculptures, collages, Christmas articles, etc.			**154**
9601	Worked ivory, bone, tortoiseshell, horn, antlers, coral, etc.	1	
9701	Paintings, e.g. oil paintings, watercolours and pastels, drawings	42	
9703	Original sculptures and statuary, in any material	111	
TOTAL			**12,395**

[19] Own compilation based on ITC Trade Map, www.trademap.org

Basketry and wickerwork is traditionally the most important export product in home accessories, home textiles and gifts from Myanmar. With a total export value of $1.7 million, nearly half of all official basketry exports from Myanmar went to Europe (the total basketry exports from Myanmar in 2015 were $3.7 million). The European market is by far the most important market for basketry from Myanmar, far ahead of the South Korean market ($0.5 million) and the USA ($0.35 million).

For the European market, Myanmar is the ninth most important foreign supplier of basketry. However, Myanmar's market share is still very small compared to the main exporters of basketry and wickerwork to Europe, such as China, Vietnam and Indonesia. With a view to Myanmar's abundant raw material resources, there is still a lot of potential to capture a bigger market share. For the time being, Myanmar is even lagging behind Madagascar, which is much less known for basket exports.

Table 4: Main suppliers of basketry and wickerwork to Europe (in $1,000)

	Exporters	Imported value in 2015
1	China	388,557
2	Vietnam	87,453
3	Indonesia	42,227
4	Taiwan	11,630
5	Madagascar	5,941
6	Bangladesh	5,208
7	Philippines	3,280
8	India	2,291
9	Myanmar	1,691

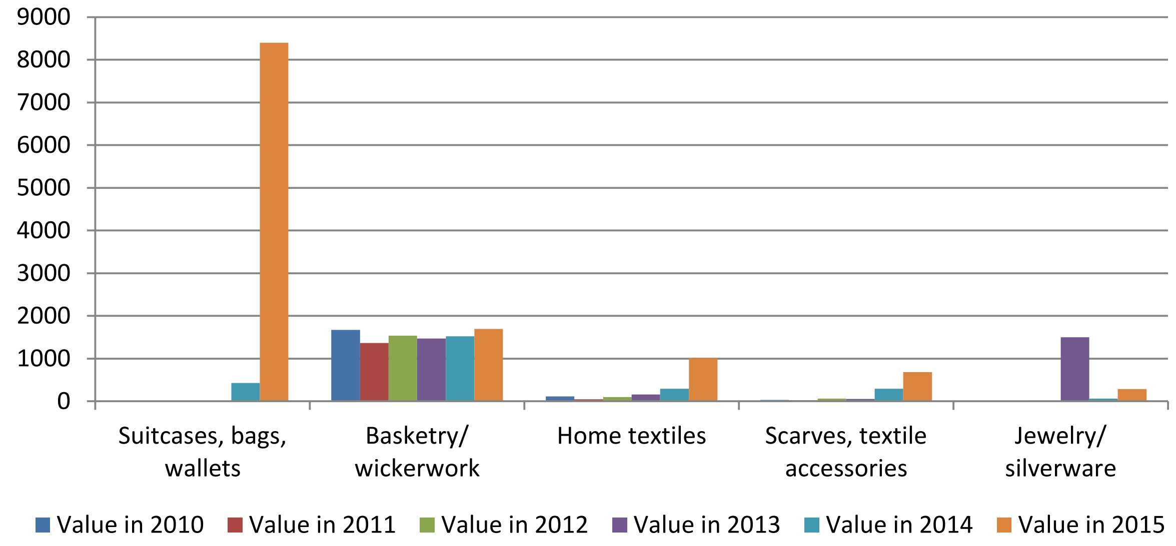
In 2015, home textiles (particularly blankets) worth $1 million were exported to Europe. The European market accounted for 73% of all exports of home textiles from Myanmar.

Scarves and textile accessories exported to Europe were worth $0.7 million. This was equivalent to 27% of Myanmar's exports of scarves and textile accessories. Within this product group, the export of scarves and shawls was five times bigger than the export of other textile accessories.

Jewellery, particularly articles of natural or cultured pearls, precious or semi-precious stone, ranked fifth with an export value to Europe of $0.3 million. All other product groups were of minor importance.

Graph 8 shows the strong, recent growth of the export of suitcases, bags and wallets. Home textiles and scarves/textile accessories also took off in 2015. The export of basketry was very stable the last five years, with minor fluctuations only.

Graph 8: Development of European imports of main HDHTG product groups from Myanmar (in $1,000)



Myanmar's exports of home accessories, home textiles and personal accessories are going to a number of different countries. In 2015, Belgium was the leading importing country. Of the imports to Belgium, worth $5.46 million, 99% was due to suitcases, bags, wallets. Germany ranked second in 2015, importing mainly home textiles from Myanmar for a value of $0.9 million. The biggest single market for basketry from Myanmar is France.

Graph 9: The top ten European countries importing from Myanmar

Rank	Country	1,000 US$
1	Belgium	5,460
2	Germany	1,826
3	France	1,709
4	Netherlands	1,002
5	United Kingdom	991
6	Spain	713
7	Switzerland	188
8	Poland	158
9	Slovakia	92
10	Austria	81

Compared overall European imports in the assessed product groups, there is no product group where exports from Myanmar account for more than 0.3% of all imports. Even though Myanmar ranks ninth for basketry exports to Europe, its market share is not more than 0.3%. This is mainly due to the large quantities imported from China, but it also shows there are ample opportunities for capturing bigger market shares on the European market.

Table 5: Myanmar's share of total European imports of HDHTG (in $1,000)[20]

	European imports from Myanmar 2015	Myanmar's share of total European imports from the world 2015
Suitcases, bags, wallets etc.	**8,349**	**0.0412%**
Tableware, kitchenware, decoration items of wood	**112**	**0.0076%**
Basketry and wickerwork, woven mats , plaits, etc.	**1,691**	**0.3007%**
Carpets	**0**	**0.0000%**
Scarves and accessories of textile material	**687**	**0.0291%**
Home textiles	**1,006**	**0.0091%**
Ceramics	**19**	**0.0013%**
Jewellery and silverware	**283**	**0.0010%**
Metalwork	**29**	**0.0039%**
Furniture, chairs made from bamboo or rattan	**65**	**0.0432%**
Paintings, sculptures, collages, Christmas articles, etc.	**154**	**0.0006%**
TOTAL	**12,396**	**0.0115%**

[20] Own compilation based on ITC Trade Map, www.trademap.org

5 Value chain structure in Myanmar

5.1 Macro-economic context and value chain policies

Myanmar has a population of roughly 54 million inhabitants, with a gross national income per capita of $1,280 in 2014 and GDP growth of 7% in 2015. Myanmar ranks 148th out of 188 countries on the United Nation's Human Development Index 2014.

Table 6: Macro-economic data[21]

Myanmar	
Population 2015	53.897 million
GNI/capita/year 2014	$1,280
GDP growth 2015	7%
Inflation 2015	11.3%
Human Development Index 2014	148 (of 188)
Minimum wage 2015	$2.8/day

The Myanmar government has set the minimum wage at 3,600 kyat ($2.8) per day in August 2015, after two years of debates between garment factory owners and labour unions. Based on a six-day working week, the minimum monthly pay in Myanmar is about $67, which is less than half of the new minimum wage applied for the garment industry in Cambodia.

The Myanmar government has recently emphasised stimulating export growth, and launched a new National Export Strategy (NES) 2015-2019 as a detailed framework and decision-making instrument to boast its export competitiveness. Seven priority sectors were selected to ensure sustainable export-led growth (textiles & garments, forestry products, beans/pulses/oilseeds, rice, fisheries, rubber, and tourism).

The home decoration, home textiles and gifts value chain is included in the NES. The strategy aims at diversifying exports and adding value to local raw material, in particular. The textiles & garments value chain is to be developed further and the forestry products value chain's importance for income generation in rural communities is emphasised. The NES points out the need to comply with international standards and certification.[22]

Association representatives indicate there is government support for the handicraft sector at the highest political level in Myanmar, as its importance for poverty alleviation is recognised. The government has expressed its interest in the industry and its willingness to promote the handicraft sector in case there is sufficient potential and there are private sector partners willing and able to invest in its development.

5.2 Main product groups

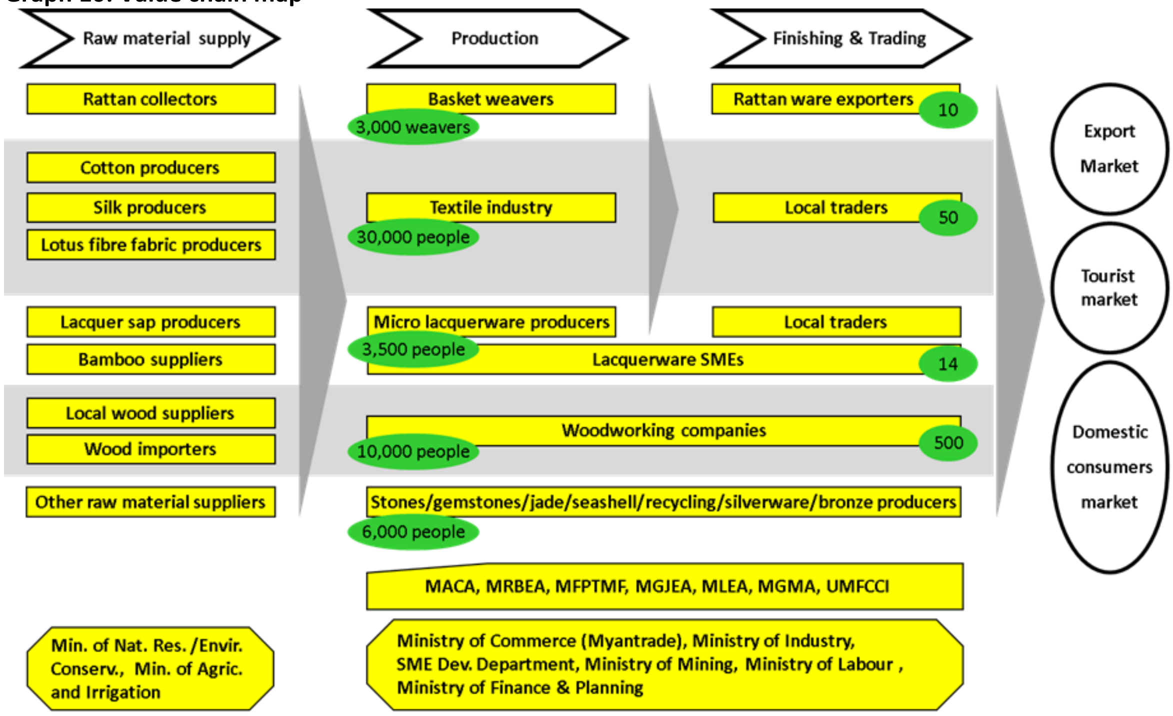
Based on our research, we identify seven main groups of producers of home decoration, home textiles and gifts, namely:

- Rattan ware producers
- Textile industry
- Lacquerware producers
- Woodworking companies
- Silverware and bronzeware, sea shell products manufacturers
- Stone carving, gemstones pictures and jade producers
- Companies producing baskets from recycled material

[21] www.worldbank.org, www.undp.org, www.reuters.com
[22] Ministry of Commerce (2015), National Export Strategy

Graph 10 gives an overview of the actors involved at the different levels of the value chain. The value chain map shows three main markets: domestic customers, the tourist market and the export market. The graph shows that the industry employs a large number of people at production level.

Graph 10: Value chain map[23]



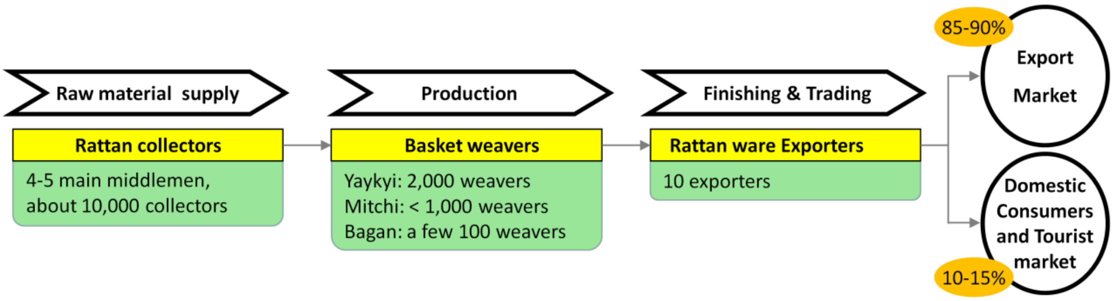
A number of 58 SMEs have been identified as being some of the most important players in these product groups (see Annex II). The first 20 of these companies have been assessed in further detail to get an overview of leading firms with the biggest export potential in the seven product categories.

5.3 Rattan ware producers

Ranging from large furniture to small decorative items, rattan ware is traditionally the most exported handicraft product in Myanmar. There are about 10 exporters in Yangon and Mandalay. 85-90% of the rattan ware is exported, only 10-15% goes to the domestic market. Traders estimate that the total export volume is about 6-8 containers per month at present. Based on an average value of a container of $30,000-40,000, this would amount to exports of about $3 million per year, which is very much in line with Myanmar's total export volume of $3.7 million in 2015 indicated above and similar to the export turnover of $3 million indicated by the six basketry exporters assessed in detail for this study.

[23] Own compilation

Graph 11: Value chain map extract – Rattan



The export market for rattan ware was much more developed in the past. The basketry sector grew steadily until trade sanctions started in 2002/2003. Companies report that up to 30 containers per month were exported in the past. Trade sanctions and the economic crisis 10 years ago are blamed for the decrease. A lack of design innovation is another main factor in the industry's downturn. Exports of low-value rattan products decreased particularly strongly. Compared to the current value of $30,000-40,000, the average value of a container was just $8,000 in the past.

Myanmar has many different kinds of rattan varieties. Two or three main varieties that are collected from the forest are used for rattan baskets. Rattan is still abundant in the forests. Myanmar is considered to be the world's biggest source of rattan raw material.

Rattan harvesting is done by an estimated 10,000 Burmese migrant workers travelling around the country. Middlemen buy rattan harvesting permits from the government and employ the migrant workers. For some companies, the monopolisation of the rattan raw material trade by 4-5 main suppliers is a major constraint that causes price fluctuations.

Rattan weaving is mostly done in 30-40 villages. The production is concentrated in three clusters with a total of about 3,000 rattan weavers. The most important cluster with about 2,000 rattan weavers is in Yaykyi, followed by Mitchi with about 1,000 rattan weavers and Bagan with a few hundred weavers.

According to an association representative, a rattan basket weaver earns about 2,000 kyat for 8-10 hours of work ($1.5 per day), which is far below the national minimum wage of $2.8. Based on a six-day week, the monthly income from rattan weaving would be just $36. The very low payment of rattan weavers is supposed to be a main reason for the use of child labour and the 40% lower production cost compared to Vietnam. Rattan weaving is said to be particularly interesting for women in rural areas who lack alternatives, if they are not flexible to migrate for work in garment factories. It is not very attractive for mobile young persons.

The weavers are organised in loose producer groups organised by middlemen who often work for different export companies at the same time. There are about 50 middlemen in less than 10 villages.

Finishing is done by the exporters. The six leading rattan ware exporters assessed by the project employ about 60 persons each on average. In addition, they indicate they source from 2,300 weavers. Most exporters source from the same three clusters comprising 3,000 weavers in total.

Regarding the governance structure of the value chain, the industry is mostly directed by the 6-10 larger exporters who control the biggest part of the market and who organise production. The loose basket weaver groups depend on the exporters who have the biggest power in the value chain. The exporters have agents in the production clusters that train weavers and conduct quality inspections. As the exporters source from different producer groups, they face problems in ensuring standard qualities, traceability and control over the producer groups.

Products are exported to various European countries, Japan, Australia and other countries. Exports to the United States are also important, but are mostly done through Vietnamese or European companies. There is a market opportunity to redevelop direct exports to the USA. The most common rattan ware products are rattan baskets of all kinds, rattan trays, place mats, laundry baskets etc.; quite conventional home decoration items.

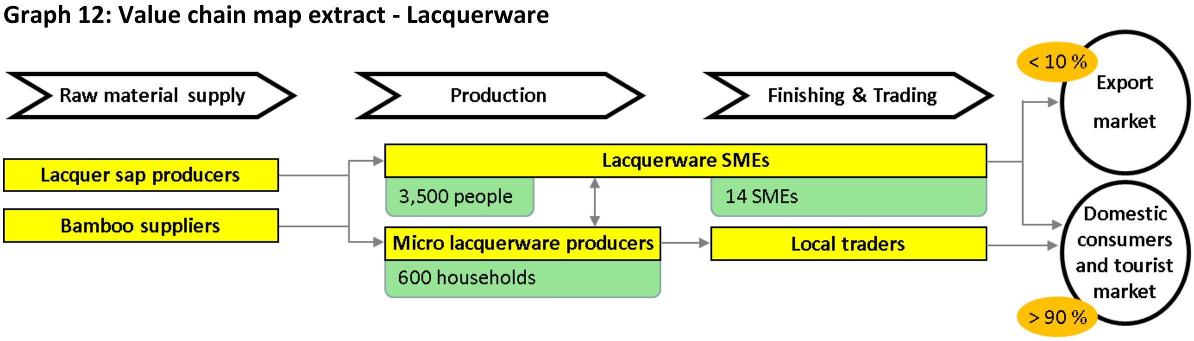
Business with the Swedish retail chain IKEA did not develop as IKEA asked for full compliance with its supplier certification, which seemed to be too cumbersome. As there was also a lot of pressure on prices, including a five-year price guarantee, exporters were not much interested.

One of the rattan manufacturers, Bella Interiors, participated in AMBIENTE 2016 in Frankfurt, Germany as the first Myanmar exhibitor ever in the trade show's 170-year history.

5.3.1 Lacquerware

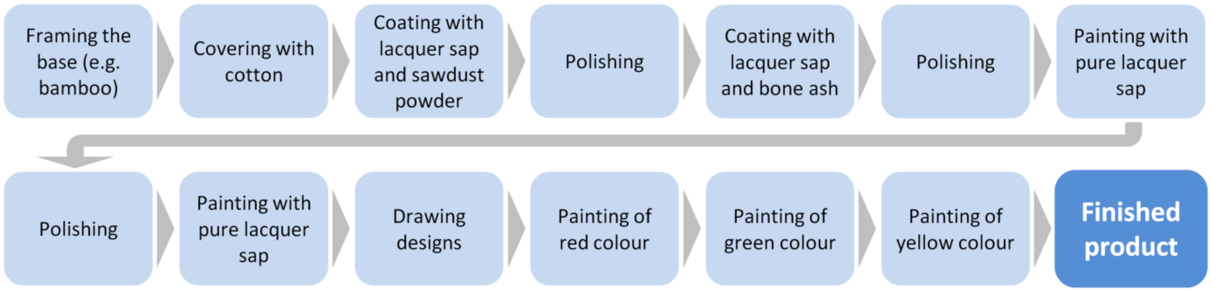
Myanmar lacquerware is characterised by a distinct style compared to other lacquerware in Asia. Myanmar lacquerware still kept the tradition and techniques of ancient Myanmar and is traditionally centred in Bagan. Today, there are two varieties of lacquerware, the artistic Bagan lacquerware and Kyaukkar lacquerware. Using dark lacquer, real gold leaves and skilful craftsmen, the Bagan lacquerware is a trademark of Myanmar. Based on red lacquer and simple designs, Kyaukkar lacquerware attracts attention due to the link of an ancient art with daily practical usage.

Graph 12: Value chain map extract - Lacquerware



Lacquer resin is collected from lacquer trees that can be found in different parts of Myanmar and is processed to lacquer sap. Lacquerware production is done by individual households or a number of larger companies. The main products are tea cups, plates, trays, jars, jewel containers, boxes, etc. Decorating the lacquerware with traditional, Japanese or modern designs is mainly done by women.

Graph 13: Production process for traditional lacquerware[24]



There are approximately 14 major lacquerware businesses in Mandalay and Bagan and about 600 other lacquerware micro-enterprises (households with fewer than 10 people employed) in Bagan and Nyaung-U that provide employment to about 3,500 people.[25] More than 500 people are employed in the major companies. Many micro-enterprises see the major lacquerware businesses as their main markets, as they often have informal sub-contracts. The power in the value chain lies at the level of the major lacquerware SMEs. The main buyers are domestic customers in the major cities and tourists from different countries. The increase of tourism in the region has significantly contributed to a significant growth of the industry. For some enterprises, sales to tourists account for up to 80% of total sales.

The daily wage for skilled labour ranged from 2,500 kyat ($2) to 5,000 kyat ($4) per day for male workers and 2,000 kyat ($1.5) to 4,000 kyat ($3) per day for female workers in 2014.[26]

Compared to the micro firms, the larger firms have a higher level of entrepreneurship, as several of the current and former owners of the enterprises received training abroad. Some of the entrepreneurs even brought back technology from Japan, especially bamboo and cane related technologies, and applied them in their products. The major firms export part of their production, particularly to Thailand. Some customers are in Japan, Korea, Italy, France, Germany and Spain.

The quality of lacquerware mostly does not meet export standards. It is estimated that less than 10% of the lacquerware is exported. While lacquerware is dried in closed rooms with ventilation in Vietnam and Thailand, it is often exposed to dust in Myanmar. The traditional drying method of lacquer sap and techniques to apply many layers of lacquer on the wood are very time consuming and less competitive.

There is a lacquerware Technology College in Bagan run by the government and supported by the Japanese development agencies JICA and JETRO that enrols about 350-400 students every year, mostly from Nyaung-U district. However, the ties between the lacquerware cluster and the college are weak. Many students just use the college as a stepping stone for higher education.

The two companies assessed for this study provide direct employment to 30 persons each and source from 180 producers in addition. The main products are bowls, trays, tea cups, jewellery boxes, etc. Only one of the two companies exports some of its production to Thailand.

[24] Own compilation, based on UNIDO (2014), Diagnostic Study on a Lacquerware Cluster in Bagan and Nyaung-U, Myanmar

[25] Updated estimation of workshop participants

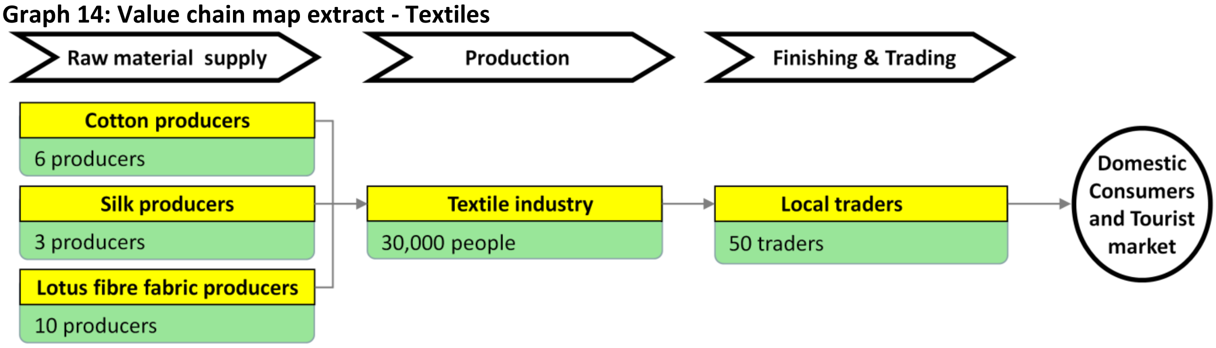
[26] UNIDO (2014), Diagnostic Study on a Lacquerware Cluster in Bagan and Nyaung-U, Myanmar

5.3.2 Textile industry

In general, there are two types of textile companies. On the one hand, there are industrial garment factories. The vast majority of these garment factories operate under the Cut-Make-Pack (CMP) system, which is a kind of contract work, where typically a foreign buyer pays contracting fees to a garment factory in Myanmar to carry out labour-intensive sewing work. Many of such companies have been established in Myanmar recently. The Myanmar Garment Manufacturer Association estimates that the garment industry employs approximately 230,000 workers.[27] As these factories mainly sew garments, they were not part of this assessment and are thus not included in the VC map, though the strong growth of exports of suitcases, bags, and wallets in 2015 suggests that at least one of these companies also started to produce accessories.

On the other hand, the traditional textile manufacturing industry employs about 30,000 people; almost exclusively in Upper Myanmar. Production mostly takes place in Mandalay, Amarapura, Monywa, Pakkoku, Windwin, Inle, Bagan, Shwe Taung, Mudon and Shwe Bo. The companies produce traditional silk and cotton products, particularly traditional wear called 'longyi' for ladies and men, scarves and shawls. The national market for local manufacturers is very large, since wearing longyi is an important and widely practiced tradition for both business and casual dress codes for all age groups. Using golden and silver threads on dark velveteen, Myanmar embroidery is an art found on ladies hand bags, used at traditional ceremonies and for home decoration. The textile manufacturing businesses also produce some home textiles such as bedspreads, pillow cases, place mats, napkins, table cloths, blankets etc., though not much of it. A lot of home textiles, such as curtains, bed covers, carpets and drapes are imported from foreign countries, especially from Thailand and China.

Graph 14: Value chain map extract - Textiles



Due to high local demand and raw material sourcing issues, the textile industry is very much focused on the local market. Home textile items are mostly handmade, but for some products some companies are now starting to produce using machines. The assessed companies produce silk textiles, longyi, naturally dyed cotton & silk, blankets, table cloths, handkerchiefs, shawls and pillow

[27] www.myanmargarments.org

cases. On average, these companies have a turnover of €400,000 each. They employ 50 persons and source from an additional 35 suppliers per company. Of the six companies assessed:

- Four companies use synthetic cotton/silk imported from China or Thailand
- Three companies use cotton from local production, two companies buy cotton from importers, one company does both
- Three companies work with silk imported from China, one company uses silk from a local factory owned by the government
- Two companies produce shawls based on natural lotus fibre, supplied by local farmers at the Inle Lake

The production techniques are outdated. Most raw material including threads (cotton as well as silk), accessories and dyes are imported by Myanmar traders from China, Thailand and India. There is some local production of cotton and silk as well, with two government factories for cotton and one for silk.

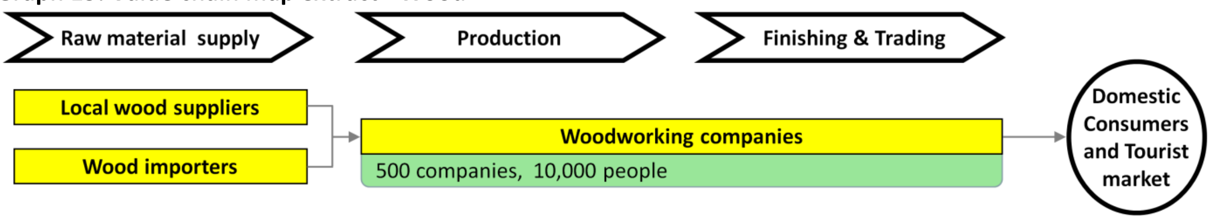
None of the six bigger companies assessed in detail during this study report any direct exports. Only two of them export indirectly to Thailand, Japan and Korea. Only one of the companies interviewed benefited from design trainings with French and Japanese designers so far.

AZO-free dyes, as requested by the EU market, are unknown to the companies in Myanmar. The traditional textile companies are not yet export-ready for the EU market and still need to adapt their production to European standards. However, despite the promising national market and the lack of export experience, several companies plan to develop exports.

5.3.3 Wooden home decor producers

Rich in natural hard woods like teak, Myanmar has a long tradition of wood-carved sculptures which are a big attraction on the domestic market. Currently, there are 10 major wood carving businesses in Yangon and 15 businesses in Mandalay, which also play an important role in the Myanmar Arts and Crafts Association (MACA). Altogether, it is estimated that there are 500 woodworking companies employing 10,000 workers.

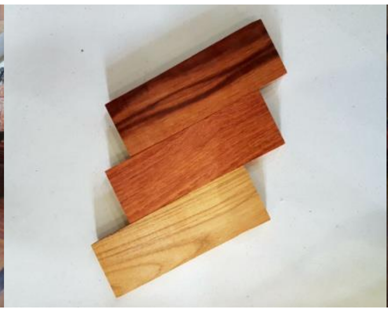
Graph 15: Value chain map extract - Wood



Recently, the government banned wood cutting for two years, with the result that wood processors have to import wood from Africa. Wood companies in Myanmar are currently not eligible for FSC certification. According to sources in Yangon, 60% of all wood products are exported illegally. Wood exporters mostly do not have export licenses. If export is done legally, companies usually ship using a voucher system. As the maximum amount per voucher is only $1,000, companies usually combine several vouchers.

Producers of wooden home decoration are currently not able to comply with the new European Timber Regulation (EUTR) of 2013 that prohibits imports 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.[28] The Burmese government is working to improve forest management and exploitation with the support of the European Union's Forest Law Enforcement and Governance of Trade project.

The current non-compliance with the European Timber Regulation and the two-year ban on wood cutting in Myanmar do not allow for export promotion of wooden home decoration for the time being.

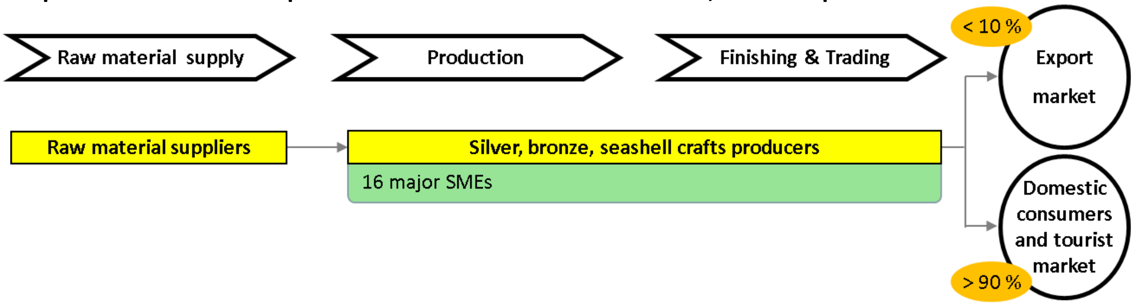

5.3.4 Silverware and bronzeware, sea shell products

Home decoration and gifts made from stones, gemstones, jade, seashell, silverware and bronze products are for the largest part produced for the market of domestic customers and tourists. It is estimated that less than 10% is exported.

Traditional silverware products like vases, plates, and jewellery are used in Myanmar for various traditional ceremonies and for home decoration. Handmade from pure silver, the products are extremely delicate and artistic, with a lot of ornamental work. There are 7 major silversmiths in Sagaing City located in Upper Myanmar. The two companies assessed in the framework of this study employ 20 persons each and work with 20 other persons each in addition. Small amounts are exported indirectly to India and Thailand via an agent.

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

Graph 16: Value chain map extract - Silverware and bronzeware, sea shell products

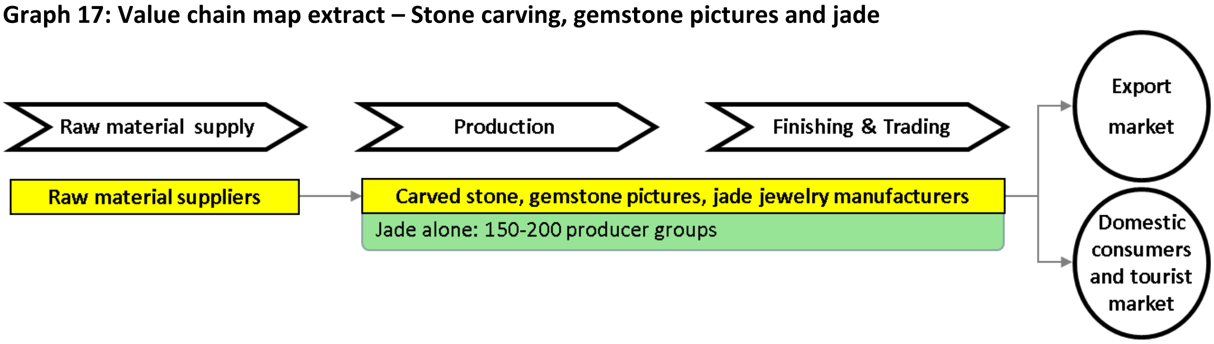


Traditional bronzeware arts are very unique in Myanmar and have a long history, drawing on hundreds of years of experience. Burmese bronze is unique not just as an art, but also in the science of metal and alloys. Currently there is one business in Yangon and 5 businesses in Mandalay. There are three companies employing about 80 people working on seashell products.

5.3.5 Stone carving, gemstone pictures and jade

From giant marble monolith Buddha images to miniature sculptures, Myanmar's art of stone carving is based in Sakyin Ywar (literally: 'Marble Village') near Mandalay city. These products are originally used only for religious images. However, there are three businesses currently manufacturing home decoration products. Although a modern art adopted from China, the gemstone pictures of Myanmar are famous due to the use of authentic gem stones mined from the famous town of Mogok, home of Myanmar rubies. There are two major manufacturers in Yangon and eight in Mandalay, all using real and semi-precious gem stones.

Graph 17: Value chain map extract – Stone carving, gemstone pictures and jade

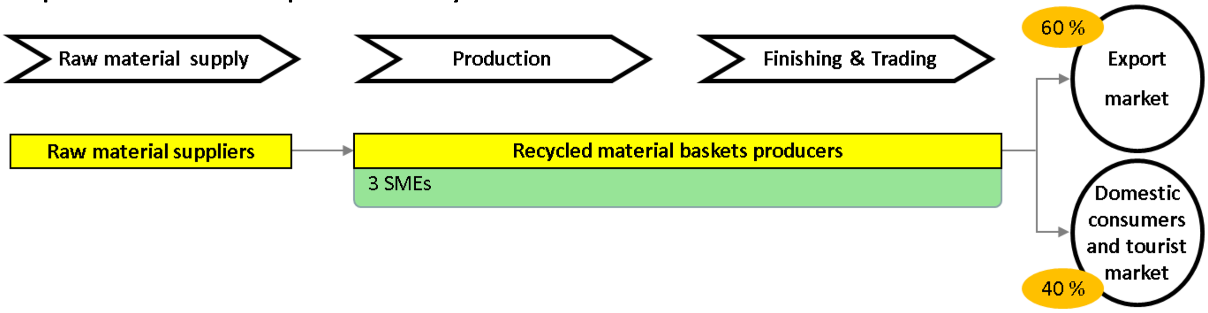


Workshop participants indicate that there are a large number of producer groups working with stones, gemstones and jade. Jade alone is said to have 150-200 producer groups producing home decor and jewellery.

5.3.6 Recycled material baskets

Using rattan weaving techniques with recycled plastic strips from cargo packages, sturdy and colourful baskets are manufactured in cottage industries all over Myanmar, but the most skilled products come from the Inlay Lake region, Shan state of Eastern Myanmar. There are a total of three major manufacturers in Shan state.

Graph 18: Value chain map extract – Recycled material baskets

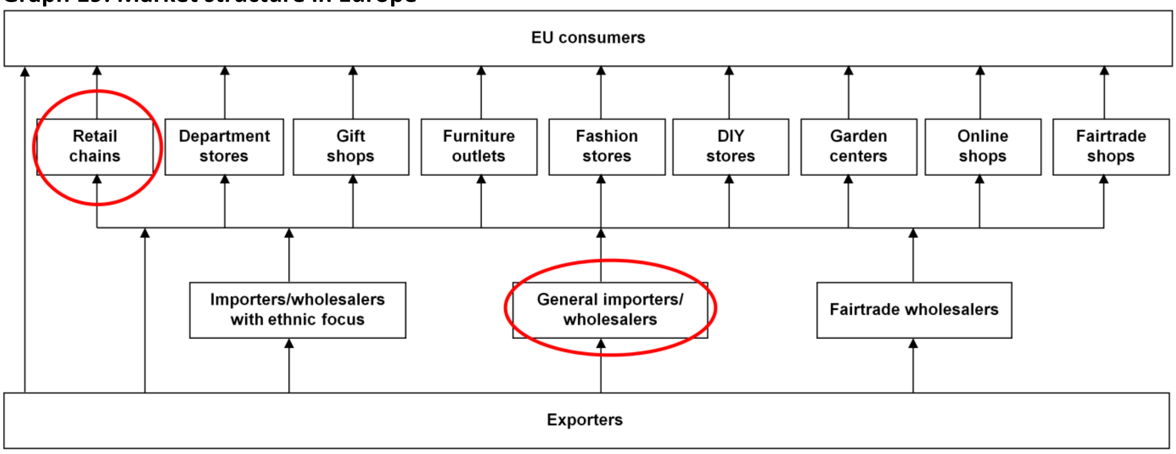


The two companies assessed employ 3 persons each and source from 30 individual craftsmen. Sixty per cent of their production is exported to India via an agent.

5.4 Export channels

Basketry, traditionally the main product group in home decoration, home textiles and gifts from Myanmar, is mainly imported by two types of European importers: general importers/wholesalers and retail chains importing directly.

Graph 19: Market structure in Europe[29]



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

5.5 Description of meso and macro level value chain actors

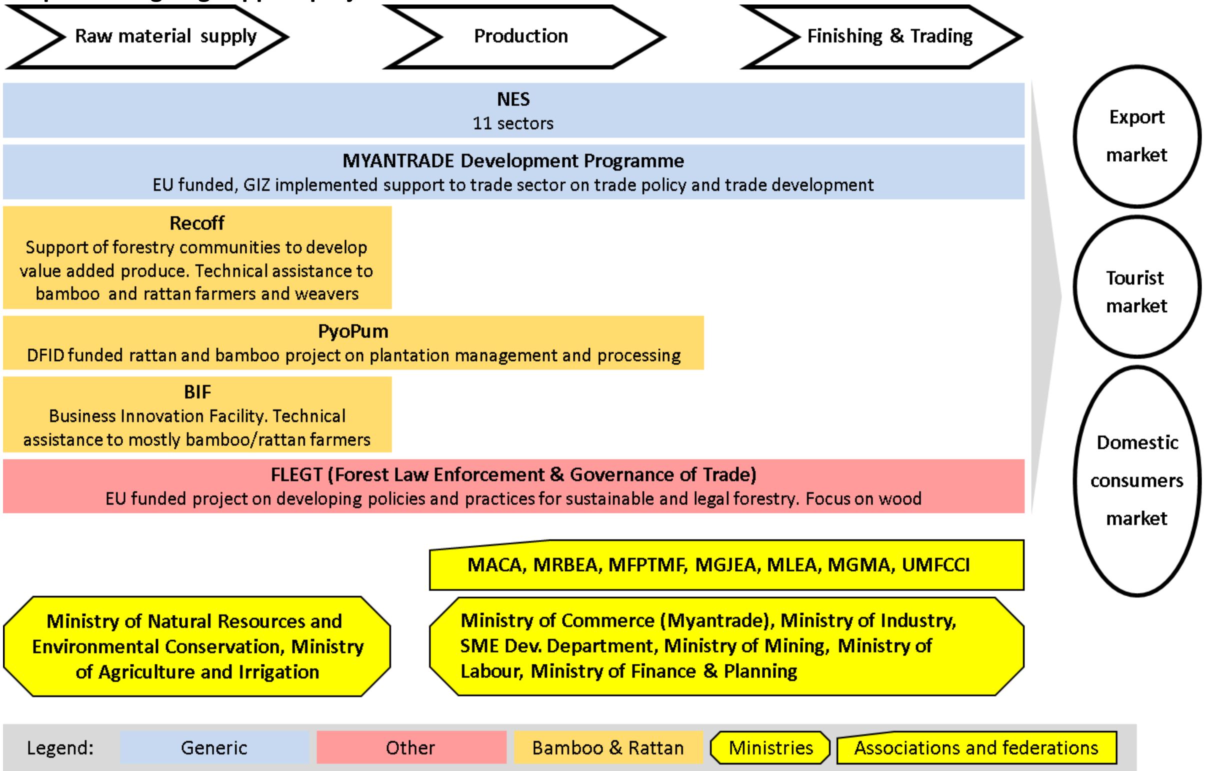
The most important **ministries** in the home decoration, home textiles and gifts value chain are:

- Ministry of Commerce
- Ministry of Industry
- Ministry of Natural Resources and Environmental Conservation
- Ministry of Agriculture and Irrigation
- Ministry of Mining
- Ministry of Labour
- Ministry of Finance and Planning.

There have not been many economic development projects in Myanmar due to the political sanctions in the past. The Ministry of Commerce is in charge of trade promotion and is currently implementing the abovementioned National Export Strategy (NES) 2015-2019. The Myanmar Trade Promotion Organisation Myantrade is the most important support services provider of the Ministry of Commerce. Myantrade is a one-stop national trade promotion authority that just started in 2016 and which is supported by the German Development Cooperation (GIZ) with funding from the European Union. The objectives of Myantrade are to provide trade-related services such as publications, library, an electronic resource centre, export-related show rooms, export product advertising, organising trade fairs and exhibitions, training, seminars and workshops, study tours, business matchmaking etc. Myantrade is based in Yangon, has twelve Myanmar Trade Centres in different parts of the countries and is connected to the commercial attachés in Myanmar's foreign embassies.

The Ministry of Industry is in charge of private sector development, restructuring of state-owned enterprises and the promotion of small- and medium-sized enterprises. It's Central Department of Small and Medium Enterprises Development (SME Development Centre) promotes entrepreneurship, introduction of new technologies, public-private partnerships and training. Besides other industries, it is in charge of the textile sector and wants to support the textile and lacquerware clusters if donor funding is available.

Graph 20: Ongoing support projects in the value chain



The Forest Department of the Ministry of Natural Resources and Environmental Conservation issues timber and non-timber harvesting licenses and is responsible for the sustainable management of natural resources. With support from the European Union, it runs the Forest Law Enforcement and Governance of Trade project. The three UK-funded projects Recoff, PyoPum and BIF address issues of sustainable sourcing of rattan and bamboo raw material, support forestry communities in developing value-added products and provide technical assistance to bamboo and rattan farmers and weavers.

The Ministry of Agriculture and Irrigation is in charge of sericulture farming and cotton growing, the Ministry of Mining of stones and gemstones, the Ministry of Labour of vocational training and the Ministry of Finance and Planning of the allocation of government resources.

The main associations are:

- Myanmar Arts and Crafts Association (MACA)
- Myanmar Rattan and Bamboo Entrepreneurs Association (MRBEA)
- Myanmar Lacquerware Enterprises Association (MLEA)
- Myanmar Garments Manufacturers Association (MGMA)
- Myanmar Gems and Jewellery Entrepreneurs Association (MGJEA)
- Myanmar Forest Products and Timber Merchants Federation (MFPTMF)
- Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI)

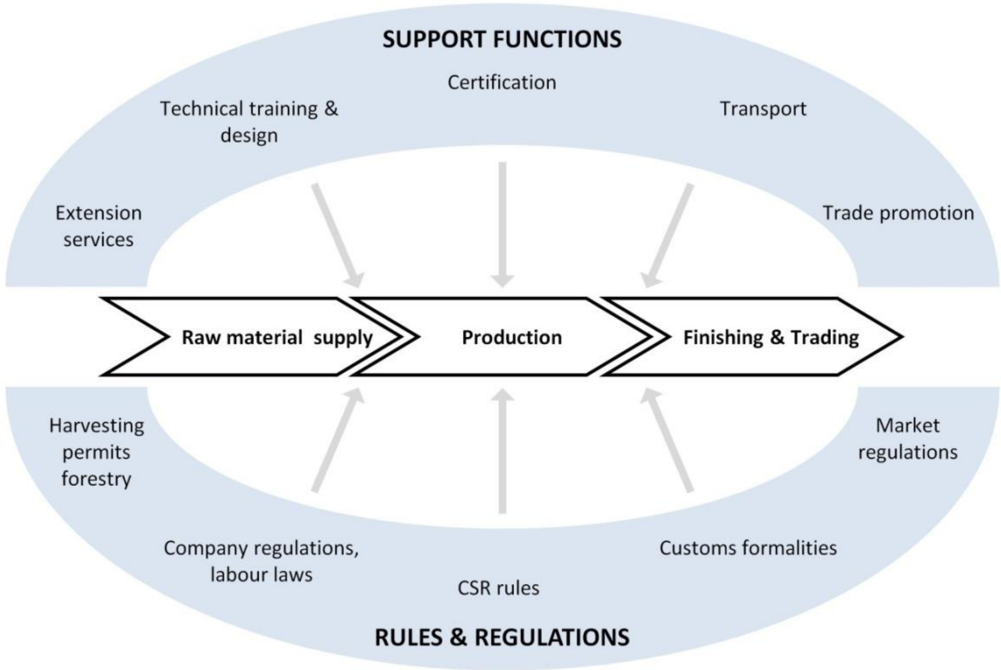
All relevant associations have been created only recently, in the last few years. They are rather new organisations that still have to gain experience and develop an appropriate services portfolio.

The Myanmar Arts and Crafts Association (MACA) has been established in January 2015. It currently has about 100 members, which are mostly smaller traders and producers in the Yangon area. Out of the 20 leading firms assessed for this research, only two companies are members of MACA. The association plans to expand its activities nationwide and intends to play a stronger role with a mandate for all handicraft producers in the future.

The Myanmar Rattan and Bamboo Entrepreneurs Association (MRBEA) is a rather new organisation as well, with 27 members. The association is part of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) and represents the leading rattan ware exporters and bamboo trading companies.[30] The Myanmar Lacquerware Enterprises Association (MLEA) was formed in 2014 by the major lacquerware companies in order to coordinate sector support.

In general, important support services for the value chain are rather poorly developed. This concerns, for example and as explained above, agricultural extension services for sericulture or cotton farmers, technical training and design services for handicraft producers, company or product certification, transport services and trade promotion. However, with the opening up of the Burmese economy, many initiatives were recently launched to improve the support functions. The same applies for value chain rules and regulations. Both government and business membership organisations work on improvements like changing regulations for harvesting permits of forestry products, introducing a minimum wage, increasing acknowledgement of CSR rules, improving customs formalities and ensuring better respect of product safety regulations.

Graph 21: Value chain support functions, rules and regulations



[30] UKaid and MBRBEA, 2015, A political economy analysis of the Myanmar bamboo sector

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, the three main product groups in home decoration, home textiles and gifts with the highest export promotion potential in Myanmar are 1) rattan ware, 2) lacquerware and 3) textiles.

The most promising product group in this sector with high export potential is rattan ware. The industry has a large workforce and a number of experienced exporters. It has a good raw material base and absolute competitive production advantages for useful, conventional home accessories. Basketry was the most important regular export product group of HDHTG over the last five years, with multiple container loads of exports every month. Big European companies show additional interest in rattan ware from Myanmar.

The second most promising product group is lacquerware. Myanmar is one of few countries that produce entirely handmade lacquerware products for home decoration. The industry generates income for a large number of cottage producers. There are some companies with initial export experience aiming at increasing exports. There is potential for modernisation, as advanced technologies can be introduced.

The third most promising product group are textile products. The textile industry has the broadest production base of all HDHTG products. However, the industry is very much oriented towards the national market. None of the companies assessed have direct export experience. Products need to be adapted to European market requirements.

For silverware and recycled products, there are companies with export potential, but the companies are small and few in number, with less potential for a broader sector programme covering a large number of producers.

Producers of stone carvings and gemstones decoration items are reported to face a lot of export barriers, as most of the precious and semi-precious stones are exported illegally. They seem to be a difficult target group for export promotion at this stage. However, there are a large number of 150-200 producer groups of jade jewellery and jade home decoration, which have not been assessed in detail during this study and which could still be considered at a later stage.

For wooden products, there is currently no access to legal timber. Woodcutting is not allowed for the moment, legal timber export is impossible. The development of sustainable forestry management plans and the introduction of sustainability standards will still take time.

Table 7: Product group ranking

1. Rattan ware	▪ Large workforce ▪ Experienced exporters shipping containers regularly ▪ Standard products ▪ Absolute competitive production advantages ▪ Proven market demand
2. Lacquerware	▪ Large workforce ▪ Initial export experience of companies ▪ One of few producers of entirely handmade lacquerware ▪ Modernisation potential
3. Textiles	▪ Largest workforce ▪ No direct export experience ▪ Products need adaptation to market requirements
4. Recycled products	▪ Market opportunity for recycled products ▪ Products need adaptation ▪ Only three small companies
5. Silverware	▪ Some small companies with nice silverware jewellery ▪ No direct export experience ▪ Products similar to ethnic jewellery from neighbouring countries
6. Stone carvings, gemstones, jade	▪ Stones and gemstones face export barriers ▪ Large number of jade jewellery producers
7. Wood	▪ Currently no access to legal timber

6.2 SWOT analysis of prioritised product groups

6.2.1 General competitiveness

All the industries discussed suffer from many years of trade sanctions and isolation with little market exposure. There is a strong lack of international market links and market knowledge. There are no incentives for exporters to reduce start up costs of exporting (trade visits, tax reduction etc.).

The lack of skilled labour for high-end jobs, e.g. production managers and knowledgeable designers, is another important general constraint. Furthermore, Myanmar is weak in certification schemes, lagging far behind certification initiatives realised in other countries. There is no fair trade-certified organisation and other standards are not much used.

There are some export difficulties due to government regulations, e.g. an Open Government License (OGL) is needed when shipping goods to participate in international trade fairs. There are high domestic transport costs (factory to port) due to poor road infrastructure. Companies complain about poor access to financial services as well.

The buyers and other sources interviewed for this assessment did not have much experience in trading with Myanmar. Only a few were able to provide some comments. In general, Myanmar is regarded as much less competitive than Vietnam or Cambodia, except for the fact that buyers point to the high quality level of rattan ware from Myanmar.

Graph 22: Competitiveness benchmarking

6.2.2 Rattan

Myanmar has absolute competitive advantages on rattan. It is considered to be the world's biggest source of rattan raw material with abundant, unique availability of rattan. Specifically, it has 2-3 rattan varieties with high silicon content and high density/weight of the raw material that are highly appreciated by the market. Myanmar exports rattan trays, baskets, and placemats etc. as standard commercial products that are traded in container loads. According to VIETCRAFT, the cost of rattan weaving at household level in Myanmar is 40% cheaper than in Vietnam.[31] China is buying less rattan now due to a lack of rattan weavers, which means there is less competition and better availability of rattan. Myanmar has a skilled workforce with well-appreciated weaving techniques and a number of export-experienced SMEs that can drive export growth. Export companies usually have staff with very good English skills. Some export companies support social community development projects in the weaving villages.

Large EU buyers such as Carrefour, IKEA etc. expressed an interest in rattan from Myanmar, as important competitors face increasing challenges, e.g. increasing labour costs in China and a lack of raw material in Vietnam. Company representatives estimate that it is possible to increase the existing workforce of 3,000 persons to 100,000 persons, as rattan weaving is particularly interesting for women in rural areas who are not flexible enough to migrate to work in garment factories.

The main constraints at the level of the supply of raw materials are that producers do not have control over the source of their raw material and are therefore unable to manage its quality. Rattan is sourced from many regions by many actors, which makes the supply chain hard to manage. Monopolisation of the rattan raw material trade by middlemen is an issue, as well as illegal trade of raw material out of Myanmar to China. The regulation and licensing procedures for harvesting bamboo, rattan and timber are not well developed. Rattan is classed as a forestry product, which means there are high forest inspection charges and expensive documents are needed. Investment is needed for rattan processing machines. There is not much variety of colours used for rattan, only natural, dark-brown and white colours are used. There is a lack of service providers to produce rattan weaving frames. Packaging, dyes etc. need to be imported which makes final products expensive.

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[31] VIETCRAFT (2016), presentation at national workshops

Producer groups at production level are only loosely organised by middlemen. The groups sometimes work for different exporters at the same time, which makes it difficult to get a consistent quality according to the exporters' requirements. As rattan is a cottage industry, and as weaver payment is very low, children have to help their families in the evenings according to different sources. It is difficult to control the use of child labour in the families. There is no external monitoring and certification. The estimation of an association representative that a rattan weaver earns only about 2,000 kyat per day, equivalent to $1.5 per day or $36 per month, means that rattan weaving provides an income far below the minimum wage that can only serve as an additional income source to farming. With an increasing income level in Myanmar, the income of weavers will have to increase in future as well.

At finishing & trading level, finished rattan ware from Myanmar is 10% more expensive than in Vietnam. Product finishing is not as sophisticated as in Vietnam, e.g. the application of patina on rattan, and not as cost-efficient, e.g. the use of automatic nailing machines. The company facilities used for finishing are far less well-organised and structured than in Vietnam. Myanmar needs to improve on finishing quality, paints and other inputs used for finishing. Compared to Vietnam, it is a big weakness that the rattan exporters so far avoided certification and the introduction of cumbersome organisation manuals that are required by large buyers such as IKEA. With regard to framework conditions, the inspection of a container takes one week. Fumigation certificates for rattan ware are sometimes handed out without having really done the fumigation.

Deforestation and depletion of natural resources as well as better income opportunities in other industries are the main threats, as well as the risk that Corporate Social Responsibility (CSR) issues such as child labour can damage the reputation of the industry.

Table 8: SWOT analysis rattan

Strengths	Weaknesses
▪ Abundance of locally available raw material at good prices ▪ Skilled workforce with good weaving techniques to produce a broad range of products such as trays, baskets, placemats etc. ▪ Rattan weaving cost are lower than in Vietnam ▪ Export-experienced SMEs ▪ Export company staff with good English skills	▪ Poor management of input supply, no sustainable management of resources, monopolisation of raw material supply ▪ Limited choice of dyes and other inputs ▪ Loose organisation of producer groups by middlemen ▪ Low income of weavers ▪ High risk of child labour in families ▪ Expensive and less sophisticated finishing ▪ Little exposure to international markets ▪ Lack of product and design innovation
Opportunities	**Threats**
▪ Large EU buyers such as Carrefour, IKEA etc. expressed interest in rattan from Myanmar ▪ Trade liberalisation offers chances to develop direct exports to the USA again ▪ Market demand for standard basketry products ▪ Competitors in Vietnam and China face increasing difficulties in terms of labour cost and raw material availability ▪ The existing workforce can be increased quickly	▪ Deforestation and depletion of natural resources ▪ Better income opportunities in other industries ▪ CSR issues (child labour for example) can damage the image of the industry

6.2.3 Lacquerware

The main strengths of lacquerware production in Myanmar are its very old tradition and skilled craftsmen. Myanmar is one of few countries that produce entirely handmade lacquerware products based on domestic agro-based raw materials such as bamboo, wood and lacquer sap. Myanmar's lacquerware has a distinct style compared to other lacquerware in Asia. Leading firms are highly motivated to develop their export capacity and are keen to improve their production system. There is an opportunity to introduce new, advanced technologies and food-safe colours from Vietnam. The main market opportunity is the demand for handmade, natural and functional table ware and home decoration.

Major constraints at the level of raw material supply are that raw material costs for bamboo and lacquer sap increased by 20-30% in the last few years, and that there is a declining supply of lacquer sap, as some lacquer sap producers moved to gold mining. Oldfashioned tools and processes, e.g. a lack of drying machines and well-conditioned cellars, mean low productivity and difficulties in producing high volumes of a stable quality. Traditional drying methods of lacquer sap and lacquer application techniques are time consuming. There can be up to 40 layers of lacquer that are applied and the production time usually takes more than 4 months. Lacquerware is often not dried in closed rooms leading to quality problems. The quality often does not meet export standards. There is a lack of food-safe colours and other inputs needed for high-quality finishing. Companies have very few export contacts. Not all companies have good English skills.

The main threats are strong deforestation leading to a further decrease of lacquer sap production, competition from other Asian supply countries and better income opportunities offered in other industries.

Table 9: SWOT analysis lacquerware

Strengths	Weaknesses
▪ Large, skilled workforce and old tradition ▪ One of few countries that produce entirely handmade lacquerware products ▪ Distinct style compared to other lacquerware ▪ Products are made from domestic agro-based raw materials ▪ Opportunity to introduce new, advanced technologies and food-safe colours ▪ Some companies with good language skills ▪ Motivation of leading firms to develop their export capacity	▪ Increase in raw material cost, declining supply of lacquer sap ▪ Time-consuming traditional drying methods ▪ Lack of appropriate drying facilities and modern production technologies ▪ Quality mostly not up to export standards ▪ Very limited export experience ▪ Lack of food-safe colours and inputs for high-quality finishing
Opportunities	**Threats**
▪ Market demand for handmade, natural and functional tableware and home decoration	▪ Deforestation leading to further decrease of lacquer sap production ▪ Better income opportunities in other industries

6.2.4 Textiles

The traditional textile industry in Myanmar can produce large quantities of fabric, which provide a good basis for diversified final textile products. It is an advantage that there are a number of companies working with natural dyes or rare raw materials such as lotus fibre. The interest of the European market in new supply countries with a positive connotation like Myanmar is an opportunity, as is supplying organic or fair trade niche markets.

The supply of silk and cotton raw material depends heavily on China. Companies complain about the low quality of imported cotton and dyes from China. Accessories available on the local market are of low quality. At production level, outdated technologies and machines are used. There is a need for upgrading and investment. Colour qualities are not stable. The companies are not aware of the use of AZO-free dyes, which is an obligatory requirement for the European market. The introduction of AZO-free dyes is a prerequisite for starting exports to Europe. Quality control is weak. The companies do not have any export experience, no export network and do not know about government regulations for import/export. Not all companies have good English skills.

Table 10: SWOT analysis textiles

Strengths	Weaknesses
▪ Production of large quantities of fabric for a variety of final textile products ▪ Companies working with natural dyes or rare raw materials such as lotus fibre	▪ Reduced availability of domestic inputs ▪ Low quality of imported cotton, dyes and accessories ▪ Outdated technologies and machines ▪ No use of AZO-free dyes as required in the EU ▪ No direct export experience ▪ Lack of design innovation ▪ Not all companies have good English skills
Opportunities	**Threats**
▪ The interest of the European market in new supplying countries ▪ Organic and fair trade niche markets	▪ Loss of skilled labour to the garment industry ▪ Decreasing availability of lotus plants

6.3 Main barriers hindering export to Europe

The main general barrier hindering export to Europe is the long time of relative isolation leading to a strong lack of international market links, market knowledge and understanding of customer requirements and market trends. This concerns all product groups. Second, companies do not receive much support from associations and the government in terms of trade promotion support and training services, resulting in little innovation.

The main barriers hindering rattan ware exports to Europe are inefficient input supply; a lack of innovation and less competitive finishing; loose organisation of weaver groups; risk of child labour; and limited market contacts and knowledge. The main barriers hindering the export of lacquerware to Europe are outdated production techniques; lack of food-safe colours and inputs for high-quality finishing; a lack of market contacts and limited market knowledge. The main barriers hindering the export of textiles are the lack of design innovation; not using AZO-free dyes; and the lack of export experience in companies.

Table 11: Main export barriers per product group

1. Rattan	▪ Inefficient input supply ▪ Little innovation; less competitive finishing ▪ Loose organisation of weavers, risk of child labour ▪ Limited market contacts and knowledge
2. Lacquerware	▪ Outdated production techniques ▪ Lack of food-safe colours and inputs for high-quality finishing ▪ Little export experience, few market contacts and limited market knowledge
3. Textiles	▪ Lack of design innovation ▪ Not using AZO-free dyes ▪ Lacking export experience, no contacts with European companies

6.4 Potential to learn from Vietnam

As the industry is much more developed in Vietnam, Myanmar can benefit from cooperating with Vietnam by trading and sharing experience:[32]

- In the rattan industry, Vietnamese companies are more sophisticated and competitive with regard to product finishing. Vietnamese companies use advanced techniques and their factories and producer groups are much better organised. Myanmar rattan ware exporters can learn from their models. In Vietnam, the introduction of cumbersome organisation manuals required by large corporate customers and detailing all process requirements was key for the development of the industry.
- In the lacquerware industry, Vietnam introduced new methods of more efficient and eco-friendly lacquer processing, which can be a model for Myanmar as well. An exchange on lacquer processing and export-quality oriented lacquer application and drying facilities could give a big boost to companies in Myanmar.
- In the textile industry, there is the possibility of purchasing silk yarn directly from reeling centres in Vietnam.
- Companies and associations in Myanmar are keen to assess company organisation models and technologies used in Vietnam and to learn from Vietnamese specialists, which could be mobilised as experts for technology transfer.
- The handicraft exporters association VIETCRAFT can be a role model for the newer associations in Myanmar. An exchange programme on organisational development and services of handicraft associations would be very helpful, and would be welcomed by the newly established associations in Myanmar.
- The participation in regional trade shows such as LIFESTYLE Vietnam should be encouraged

[32] VIETCRAFT presentation November 2016

7 Value chain upgrading solutions

7.1 Rattan

After many years of isolation and stagnation, Myanmar's rattan industry has great potential for an economic revival. Based on its solid raw material base, a reasonable target would be to double current exports, which would mean additional exports of about $3-4 million. In terms of quantities traded, this would still be a lower volume than in the past. However, the focus would be on exporting higher-value, high-quality rattan ware.

The main constraints at raw material level (no sustainable management of natural resources and monopolisation of raw material supply) need to be addressed. Exporters need to gain more control over the supply chain. Exporters should buy harvesting permits themselves and source the raw material directly from certain regions while respecting sustainable forest management principles.

As for the main constraints at weaver level (loose organisation of producer groups, low income of weavers and high risk of child labour), the exporters should put more emphasis on structuring their key producer groups. Exporters need to find a balanced solution for the trade-off between the need to increase weaver income from a very low level and the need to remain competitive in the market. The introduction of a certification for fair payment, no child labour and sustainable production is regarded as a prerequisite for better market access and will be a milestone for the rattan industry.

At finishing and trading level, the low efficiency and the limited finishing methods used need to be addressed, e.g. rattan ware exporters should try water-based lacquer. It is even more important to improve the organisational structure of export companies, as well as their facilities and process management, based on detailed organisation manuals. Exporters need to improve their market presence and increase the number of clients. They need to have a better understanding of market trends and need to introduce design innovations.

Table 12: Overview rattan – Changes and growth potential

Changes to be implemented	Growth potential within 5 years
▪ Direct sourcing of rattan raw material and introduction of sustainable forest management practices ▪ Improved weaver group management ▪ Introduction of CSR certification and fair payments ▪ Innovation of design, diversification of the product range ▪ Modernisation of finishing facilities and company organisation up to Vietnamese standards ▪ Increase of market exposure and market knowledge	The rattan industry has the potential to double its export volume to $7.4 million. It will become a large-scale exporter on the European market, competing with Indonesia and Vietnam with diverse product categories and an integrated supply chain. Ten current exporters will be able to expand their export business and the number of exporters will increase to fifteen. The expected impact would be that 10-15 companies double their current export turnover of $3.7 million per year. The number of weavers should increase accordingly by 3,000.

7.2 Lacquerware

The traditional, time-consuming method of applying many layers of lacquer and using inappropriate drying facilities needs to be modernised for export. Better and larger underground drying cellars should be used, including new technologies, e.g. from Vietnam, to control humidity and temperature, thereby improving product quality and shortening production time. The production process will become more environmentally friendly; clean production principles will be introduced.

To export more, the companies need to import quality colouring materials that are approved for homeware in contact with food products and quality polishing sandpaper.[33] Some of the more dynamic major lacquerware producers will develop their export business and thus provide an improved market for a large number of subcontracted household producers. Companies need to start taking up direct export and develop export market contacts. They need to have a better understanding of market trends and need to introduce design innovations.

Table 13: Overview lacquerware – Changes and growth potential

Changes to be implemented	Growth potential within 5 years
▪ Introduction of improved drying facilities and technologies as used in Vietnam, as well as food-safe colours and other more sophisticated inputs ▪ Innovation of design and diversification of the product range ▪ Introduction of environmentally-friendly clean production principles ▪ Increase of market exposure and market knowledge	Profound modernisation of the lacquerware industry, allowing 10 companies to start exporting to Europe and to increase domestic sales. The expected impact would be that 10 companies increase their current turnover by 50%, which would be equivalent to $2 million per year. The number of employed workers and sub-contracted household producers should increase accordingly by 750 workers.

7.3 Textiles

The constraint of limited availability of quality inputs can be addressed by finding new, improved raw material sources for quality cotton, silk, dyes and accessories from Vietnam and Thailand. For the EU market, the introduction of AZO-free dyes is a must and will be a milestone of structural change for the industry in Myanmar.

The industry particularly needs innovation of design and diversification of the product range, including the systematic industrialisation of lotus fibre. The companies need to gain export experience, have regular market exposure and better market knowledge.

Table 14: Overview textiles – Changes and growth potential

Changes to be implemented	Growth potential within 5 years
▪ Improved sourcing of quality cotton, silk and dyes ▪ Introduction of AZO-free dyes suitable for the European market ▪ Innovation of design and diversification of the product range ▪ Increase of market exposure and market knowledge	The traditional textile industry introduces AZO-free dyes, new designs and diversifies the product range. Opening up the export market leads to a more dynamic development of the industry, from which domestic sales benefit as well. The expected impact would be that 6-10 companies increase their current turnover by 50%, which would be equivalent to $1.2-$2 million per year and employment for 470 people.

7.4 Services

After the industry faced trade sanctions for many years, improving trade promotion services offers great potential to help the industry develop. The capacity of both the governmental organisation Myantrade and the industry associations should be strengthened to provide better services. Government regulations can be developed further and certification schemes can be introduced.

[33] UNIDO (2014), Diagnostic Study on a Lacquerware Cluster in Bagan and Nyaung-U, Myanmar

Table 15: Overview general changes and growth potential

General changes to be implemented	General growth potential within 5 years
▪ Provision of training seminars on production, marketing and design ▪ Organisation of study tours to other Asian countries, e.g. Vietnam ▪ Organisation of trade fair participations ▪ Lobbying for more active government support for handicraft exports	Myantrade provides additional trade facilitation services for the handicraft sector. The three main sector associations Myanmar Arts and Crafts Association (MACA), Myanmar Rattan and Bamboo Entrepreneurs Association (MRBEA) and the Myanmar Lacquerware Enterprises Association (MLEA) provide suitable information, training and trade services and play an active lobbying role for the industry, e.g. on export licenses for forestry products.

8 Social Responsibility Risk assessment

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

- The rattan ware exporters are more advanced in the management of social and environmental risks. All companies that indicated having systems in place were rattan companies.
- Most of the assessed companies are particularly important for women's employment and provide income opportunities for women. Thirty per cent of the companies assessed are managed by women.

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

Employment of children under the age of 15
According to different sources, child labour is an issue in the basketry business. When there are unannounced inspections, it is highly likely that children are found weaving baskets. Most basket weavers live and work with their families. It is likely that children are asked to take over some tasks and contribute to the family income. Out of the 20 companies assessed for basketry and other product groups, 16 indicate they have implemented measures to avoid child labour, but only 4 indicate they have a written policy and monitor internally. All 20 companies indicate they respect the legal minimum age for employment, but none of the companies is certified by a third party. A support programme for the basketry industry should be combined with a certification scheme and community development initiative.
Risk level: high
The companies should introduce a certification scheme.

Forced compulsory labour (harassing, abusive and/or threatening working conditions, debt)
There is no incidence of forced labour. Out of 21 companies assessed, 18 indicate having implemented measures, though only two have a written policy with internal monitoring.
Risk level: minor.
No particular action needed.

Violation of human rights (political rights, civil liberties)
There is no particular incidence of the violation of human rights in the handicraft sector in Myanmar. The awareness of companies on human rights issues is low. None of the companies assessed has a written policy.
Risk level: minor.
No particular action needed.

Unfair employment terms (wages below minimum, excessive working hours)
All companies assessed indicate they provide reasonable employment terms and have implemented measures. The companies offer (part-time) self-employed income earning opportunities for the poor in rural areas in particular. The daily income of rattan weavers ($1.5) is below the national minimum wage for garment industry workers ($2.8), the daily income of lacquerware craftsmen and women is sometimes as well. While income in rural areas cannot be compared directly to the wage level in urban centres, attention should be paid to whether the income of craftsmen and women can be regarded as fair.
Risk level: high.
Action needed to promote fair payment of handicraft workers.

Discrimination of workers (disadvantageous treatment of a person or group of people)
There are no particular issues, though many companies do not have specific policies or measures in place.

Risk level: no particular risk.
No action needed.

Lack of freedom of association (trade unions)
There are no particular issues. All companies assessed allow workers to form or join labour unions, though this is not common in the handicrafts sector.
Risk level: minor.
No particular action needed.

Unequal opportunities for women (salary inequality, limited promotion opportunities, no maternity leave)
Most companies provide special opportunities for women's employment both within the company and at supplier level. Many companies are managed by women. However, at least for lacquerware, slightly different wages are reported for men and women.
Risk level: minor risk.
Equal pay should be monitored.

Occupational health and safety dangers for workers
Most companies do not have health and safety trainings (17 out of 20), emergency exits (13 out of 20) or protective equipment (13 out of 20).
Risk level: moderate.
Action needed. Awareness should be raised; trainings on occupational safety and health should be provided; the implementation should be monitored.

Non-compliance with local and/or international environmental regulations
According to the assessment by the national consultant, 13 out of 20 companies are compliant with environmental regulations and the companies are aware of environmental management.
Risk level: minor.
Monitoring of environment issues is recommended nevertheless. Awareness should be raised and trainings on environmental management should be provided.

Excessive use of natural resources
Companies are not very aware of the sustainable use of natural resources. Natural resources are assumed to be abundant. However, with more intensive use of natural resources such as rattan, sustainable harvesting methods should be promoted.
Risk level: moderate.
Awareness raising and training are suggested.

Environmental harm by polluted water, harmful gases and/or other waste
Lacquer production needs to follow clean production principles. There is a big threat related to polyurethane in the lacquerware industry. There are minor risks for the use of chemical dyes for textiles and the proper handling of chemical paints for rattan ware.
Risk level: moderate.
Trainings on the correct use and handling of chemical dyes and improved methods for lacquerware production should be conducted.

Corruption in the sector (the abuse of entrusted power for private gain)
The companies in the value chain are no drivers of corruption, but are affected by corruption, as they have to make unofficial payments in order to be able to do their business.
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 have a fair understanding of their suppliers and can trace the origin of main inputs.
Risk level: minor.
No particular action needed.

9 Annex

Annex I: Bibliography

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Annex II: Company database

#	Company name	Address	Phone	Mail / Website	Main products	Main Market	Association
1	**BELLA INTERIORS CO., Ltd.**	2730, Thanlwin Street Industrial Zone 2 - ext Ward 63, South Dagon Tsp., Yangon	09-450063120 01-590213	www.bellainteriorsmm.com	Rattan deco and home products, deco and home products	Europe, America	MRBEA
2	**Calamus Hill Co., Ltd.**	49, Site Pyo Yae Street Ahmuhtan Qtr. Thanlyin Tsp. Yangon	-	-	Kitchenware, accessories, furniture (made of rattan)	New Zealand, Germany, UK, Belgium, Australia, South Africa	MRBEA, MFPTMF
3	**CLASSIC HOME CO., Ltd.**	198,GF 50th street Pazundaung Tsp. Yangon	09-5180836 01-293141	www.classichome-interiors.com	Rattan deco and home products	According to the order of a customer	TBC
4	**Ever Stand**	Between Old Bagan and Nyaung Oo Wet Kyi Inn Village Bagan	09-792042252 061-60214	www.everstand.com	Lacquerware	Thailand, Germany, France	TBC
5	**Galon Min Nyi Naung**	Tab Ma St, No. 11 Qtr. Pakokku	09-2300778 792300771	-	Shawls, bed sheets, table mats, table/bed runners, napkins, pillow covers	Local	TBC
6	**GLORIOUS FAMILY CO., Ltd.**	No. 2757, Pyi Htaung Su Yeik Thar Rd. Industry zone 2 South Dagon	09-43182929 01-594187	www.globalsources.com	Rattan deco and home products	England, France, Belgium, Japan, Taiwan, Hong Kong, Korea, Australia, New Zealand	MRBEA
7	**Golden Cuckoo**	Myin Kapar Village Bagan	09-5142421 061-65156	-	Lacquerware	Local	TBC
8	**Green Elephant House (RIVER VIEW CO., Ltd.)**	No.65-66, Malikha Street Industrial Zone (5) Hlaingtharyar Tsp.	09-421099185 01-661887	www.greenelephant-restaurants.com, www.elephant-house.com	Rattan deco and home products	USA, Japan, UAE, Middle East, Europe	TBC

9	**Hnin Wit Hmone (Natural Dyed Cotton Centre)**	No. 15,Lan Ma Taw St. NanMaDaw Qtr., Lay SU, Amarapura Tsp. Mandalay	09-2003982 43062137	-	Home textiles of natural dyed cotton and silk	Japan and Korea (no direct export)	MRCCI, MTMA
10	**Ko Aung Thu**	No. 141, Bo La Yaung Rd, Mahar Aung Myay 2 Ward, Shwe Nyaung	09-26073866 09-36257944	-	Colourful recycled material baskets	Local	TBC
11	**Ko Than Hlaing**	Middle Qtr., Inpaw Khone Village, Inle, Nyaung Shwe Tsp. Shan State	-	-	Shawls made of cotton, lotus, silk, lotus and silk	-	-
12	**Mya Hin Tha**	Taung Chaung Qtr., Heyaywama, Inle Lake Shan State	-	-	Silver fishes, necklaces, earings, rings, bracelets	-	-
13	**Mya Setkyar**	Inpaw Khone Village Inle Nyaung Shwe Tsp. Shan State	-	-	Shawls made of lotus, silk, cotton; pillow cases made of silk	-	Regional Shan Women Entrepreneurs Working Group Myanmar Women Entrepreneurs Association
14	**TK INTERIORS CO., Ltd. (RICH COAST CO., Ltd.)**	No. 3, Ingynn Road Nyar Na Ward, Pale Myothit, Mingalardone Tsp. Yangon	09-440463658 01-298486	www.tkhomecollection.com	Rattan deco and home products	EU (France, Netherlands, Germany, Belgium) Asia (Japan, Hong Kong, Singapore, China), USA	MRBEA
15	**U Hla Kyi**	Yoe Yar Village Pakokku	09-256136511 09-256629965	-	Colourful recycled material baskets	Local	TBC
16	**Bamboo Star (Sir Bony)**	No. 826/Ga, Aung Zay Ti Str, 10 Mile Gone, Mayangone Tsp. Yangon	09-786708801 09-450065664	www.sirbonifurnishings.com	Bamboo-based furnishings and deco	Singapore	MRBEA

17	**Shining Star wood carving**	68 St., Bet San Pya St. and Mingalar St., Mandalay	09-2018452 09-91006737	www.shiningstarwood.com	Wood carving	Local	TBC
18	**Shwe Pyi Soe**	Sayatan St. Aung Kan Thar Qtr. Pakkokku	09-2301400 062-21400	-	Home textile products, Blankets, table covers, handkerchiefs	Local	TBC
19	**Shwe Yamin**	No. 53, Southern of TheinGyi Market Thein Gyi Qtr., Sagaing-Mandalay rd. Amarapura Tsp. Mandalay	-	-	Silk textile, longyi (lady, man)	Thailand (no direct export)	MRCCI
20	**U Ba Mhin**	Ywahtaung, Sagaing	92031564	ubamhinsilverware@gmail.com	Myanmar traditional silverware	Thailand	TBC
21	**Aung Umbrella**	Pyitawthar Qtr., Pindaya Southern Shan State	9792996094	-	Shan paper, traditional umbrellas	Local	TBC
22	**Aung Wood (Home Collection)**	No. 82, Thudamar Lane Thumingalar Housing, Thingangyun Tsp. Yangon	09-5052371 01-573517	www.aungwood.com	Wood carving	Europe	TBC
23	**Bagan House**	No. 9, Jasmine Road New Bagan	09-5097211 061-65324	www.baganhouse.com	Lacquerware	Local	TBC
24	**Daw Khin Nyo Shwe**	Shwe Nyaung Agritcultural research compound	09-428226876	-	Colourful recycled material baskets	Local	TBC
25	**Gold Funiture**	No. 64, Thitsar Rd. (9) Qtr., South Okkalapa Tsp. Yangon	09-5231434 09-73149547	-	Wood carving	China	TBC
26	**Gold Rose**	36 St., 77 & 78 St.	0230218 09-91036658	-	Gold leaf	Local	TBC

27	**Golden Harp (Myanmar Handicrafts & Souvenir)**	No. 87/A, Ground Flr, 49th St. (Middle Block) Pazundaung Tsp. Yangon	09-73030973 09-5412720	www.myanmargolenharp.com	Traditional silverware	Local	MACA
28	**GREAT MYANMAR ISLANDS CO., Ltd.**	No. 63, 23rd Ward, Taung Gyi St. No(1) Industrial Zone Dagon(South) Tsp. Yangon	09-5123712 01-591054	www.greatmyanmarisland.com	Rattan deco and home products	Asia (currently mainly South Korea), EU (UK, Belgium, Turkey, Germany)	TBC
29	**IDEA (Gems Art & Frame)**	No. 20-A, U Wisara Rd. Economic Development Zone North Dagon Tsp. Yangon No(21), Block C, West Wing Bogyoke Market Yangon	09-5005115 01-586137	www.idea-gemsart.com	Jewellery, pictures	Local	MGJEA
30	**King Galon**	36 St., 78 & 79 St.	0232135 09-2022143	-	Gold leaf	Foreign TBC	TBC
31	**KKA Co., Ltd. & Bird Co., Ltd.**	No. 115, ground floor, 8 miles, Pyay rd. Mayangone Tsp. Yangon	09-43052613 01-65519	-	Rattan deco and home products	Local	MRBEA
32	**Ko Thet Naing + Ma Myint Myint Yee**	Mingalar Ward Aung Ban	09-254559250 09-33754262	-	Colourful recycled material baskets	Local	TBC
33	**Lynn Myanmar**	Ywahtaung Qtr. Sagaing	92035458	-	Traditional silverware	Local	TBC

34	**MACO LIMITED**	No. 106, 49th St. Pazundaung P.O. 11171 Yangon	09-795697123 01-202926	www.macorattan.com	Rattan deco and home products	EU (France, Poland, Netherlands, Spain), USA	TBC
35	**Maung Aung Myin**	Myin Kapar Village Bagan	09-2043204061-65047 65287	-	Lacquerware	Local	TBC
36	**MNAC Company Ltd. (Myanmar Natural Art & Craft)**	Room(3B/65-C), Eiaksathaya St. Sa/Thumingalar Qtr., Thingangyun Tsp. Yangon	09-5093102 01-570710	-	Rattan deco and home products	Asia (Korea, Thailand)	MRBEA
37	**Moe Thauk Pann**	78 St., Bet 35 & 36 St. Mandalay	92040180	-	Myanmar traditional embroidery	Local	TBC
38	**Mya sakyar Silk Weaving Center**	Inn Paw Khon village Inle, Nyaung Shwe Shan State	09-5211662	-	Lotus shawls/ scarves	Planned to export to France (trial order by channel fashion company)	TBC
39	**Myanmar's Heart**	No. 6, East (C), Bogyoke Aung San Market Yangon	09-5146498 09-421047707	-	Traditional aspired shoes and slippers	Local	TBC
40	**Myint Yadana**	30St, Bet 70 & 71St	09-259155600	-	Jewellery pictures	Local	TBC
41	**Ngwe Hla Win**	No. 7, Kuthinayone St. West of police station Pakokku	09-780446645 47207195	-	Home textile products	Local	TBC
42	**Pann Gabar (U Aung Kyaw San + Daw Thandar Phyu) [Myanmar Handicrafts]**	No. 1862, Thapyaegone 1st Lane Mazin Qtr. Bago	09-5137456 09-30159060	-	Wood carving	Occasionally Asia (Korea, Japan)	MACA

43	**Sein Myint (Art Gallery)**	No. 42, 62 St., Bet (16 & 17 St.) Mandalay	09-2007439 450045727	-	Myanmar traditional embroidery	Local	TBC
44	**Su Su Hlaing**	Pan Pae' Tan Qtr. Nal Myay-13 Sagaing	09-2011993 09-777771182	-	Jade acessories	China	TBC
45	**Sunflowers Organic Dye Textiles**	No. 54 Right, 1st Floor, Shangone St. Myaenigone, Sanchaung Tsp., Yangon	09-450011956 09-5134112	-	Home textile products	Japan, USA	TBC
46	**Textile House Myanmar**	No. 86/B 1st, Shinsawpu St. Sanchaung Tsp. Yangon	01-519286 09-256142581	www.myanmartextilehouse.com	Home textile products	Local	TBC
47	**Thiri Myanmar (Traditional Arts & Crafts)**	Room (0222), 2nd Floor, excel treasure hotel (Shwegonedine) Kabaraye Pagoda Rd, Bahan Tsp., Yangon	09-5112305 01-556678	www.thirimyanmarhandicrafts.com	Bronze decoration arts and crafts	ASEAN, Korea, Japan	MACA
48	**Thuzar Hlaing Myo**	84 St., Bet 41& 42 Mandalay	02-76353	-	Myanmar traditional embroidery	Thailand	TBC
49	**U Ba Nyein**	Main Road Bagan	09-2005879 061-65056	-	Lacquerware	Local	TBC
50	**U Maung Soe**	432, Kyauk Twin Road Chan Mya Thar Si Ward, NagarPwatKyaung Near Watchtower in front of Ayarwaddy Bank and Shu Tai Yin Gold Smith, Taunggyi.	09-263893789	-	Colourful recycled material basketss	Local	TBC
51	**U Sein Rattan Deco & Home Products**	Thazin village Pakokku	09-976110416 09-254605693	-	Rattan deco and home products	Local	MRBEA

52	**Win Win Silver Crafts**	No. 109 & 110, Monywa-Mandalay Highway Ywataung Qr, Sagaing	09-2003318	-	Myanmar traditional silverware	Local	TBC
53	**YK Collections, Myanmar**	No. 185, Marlar Yone (1) Lane 12 Qtr. AungDaMa Yeikthar, Hlaing Tsp., Yangon	09-420171559 09-73165606	www.ykcollectionsmyanmar.com	Recycled products and other handicrafts	Local	TBC
54	**Zayar Ah Man**	GEC Tight Tan Pan pae Tan Qtr. Sagaing	96809977	-	Jade acessories	Local	TBC
55	**Zin Oo**	Ka-125/1, Zayar Qtr. Sagaing	09-91033090 400532746	-	Jade acessories	Local	TBC

Annex III: CBI SR risk

Overview

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)				Yes
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)				Yes
Occupational health and safety dangers for workers				Yes
Non-compliance with local and/or international environmental regulations				Yes
Excessive use of natural resources				Yes
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				No

1. Children under age of 15 are employed		Comments risk level	CBI intervention
PITCH Value from index or ranking	n.a.	According to different sources, child labour is an issue in the basketry business. When there are unannounced inspections, it is highly likely that children are found weaving baskets. Most basket weavers live and work with their families. It is likely that children are asked to take over some tasks and contribute to the family income. Out of the 20 companies assessed for basketry and other product groups, 16 indicate they have implemented measures to avoid child labour, but only 4 indicate they have a written policy and monitor internally. All 20 companies indicate they respect the legal minimum age for employment, but none of the companies is certified by a third party. A support programme for the basketry industry should be combined with a certification scheme and community development initiative.	CBI should work with the companies and introduce a certification scheme.
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	Minor		
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			

2. Forced or compulsory labour (harassing, abusive and/or threatening working conditions, debt bondage, trafficking)		Comments risk level	CBI intervention
PITCH Value from index or ranking	9	There is no incidence of forced labour. Out of 21 companies assessed, 18 indicate they have implemented measures, though only two have a written policy with internal monitoring.	
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			

3. Violation of human rights (political rights, civil liberties)		Comments risk level	CBI intervention
PITCH Value from index or ranking	28	There is no particular incidence of the violation of human rights in the handicraft sector in Myanmar. The awareness of companies on human rights issues is low. None of the companies assessed have a written policy.	
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			

4. Unfair employment terms (wages below minimum, excessive working hours)		Comments risk level	CBI intervention
PITCH Value from index or ranking		All companies assessed indicate they provide reasonable employment terms and have implemented measures. The companies offer (part-time) self-employed income earning opportunities for the poor in rural areas in particular. The daily income of rattan weavers ($1.5) is below the national minimum wage for garment industry workers ($2.8), the daily income of lacquerware craftsmen and women sometimes as well. While income in rural areas cannot be compared directly to the wage level in urban centres, attention should be paid to whether the income of craftsmen and women can be regarded as fair.	Action needed to promote fair payment of handicraft workers.
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	Yes		
Possibility for solution (CBI or 3rd party)	Yes		
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, though many companies do not have specific policies or measures in place.	
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. All companies assessed allow workers to form or join labour unions, though this is not common in the handicrafts sector.	Raise awareness
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)	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	148	Most companies provide special opportunities for women's employment both within the company and at supplier level. Many companies are managed by women. However, at least for lacquerware, slightly different wages are reported for men and women.	Equal pay should be monitored.
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			

8. Occupational health and safety dangers for workers		Comments risk level	CBI intervention
PITCH Value from index or ranking		Most companies do not have health and safety trainings (17 out of 20), emergency exits (13 out of 20) or protective equipment (13 out of 20).	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		According to the assessment by the national consultant, 13 out of 20 companies are compliant with environmental regulations and the companies are aware of environmental management.	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	0,00		
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	153	Companies are not very aware of the sustainable use of natural resources. Natural resources are assumed to be abundant. However, with more intensive use of natural resources such as rattan, sustainable harvesting methods should be promoted.	Awareness raising and training are suggested.
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			

11. Environmental harm by polluted water, harmful gases and/or other waste		Comments risk level	CBI intervention
PITCH Value from index or ranking	n.a.	Lacquer production needs to follow clean production principles. There is a big threat related to polyurethane in the lacquerware industry. There are minor risks for the use of chemical dyes for textiles and the proper handling of chemical paints for rattan ware.	Trainings on the correct use and handling of chemical dyes and improved methods for lacquerware production.
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	156	The companies in the value chain are no drivers of corruption, but are affected by corruption, as they have to make unofficial payments in order to be able to do their business.	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 have a fair understanding of their suppliers and can trace the origin of main inputs.	
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)	No		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			