

Chapter 1

Prologue: With the Aim of Realizing Collaborations between Handicraft Industries in Lao PDR and Traditional Craft Industries in Japan

Masami Ishida

1. Introduction

This report is the result of an empirical examination of the effectiveness of supporting policies by the Japan External Trade Organization (JETRO) toward small and medium enterprises of handicraft industries in Lao People’s Democratic Republic (Lao PDR) in establishing collaborations with traditional craft industries in Japan. This is the first empirical evaluation of craft industries and collaboration by the research department of JETRO, the Institute of Developing Economies (IDE-JETRO).

Since fiscal year (FY) 2001, JETRO has supported handicraft industries in Lao PDR in cooperation with the Lao Handicraft Association (LHA) on the basis of a request from the government of Lao PDR. Through the support of JETRO, some companies in Lao PDR have realized collaboration with traditional *Kimono* producers in Kyoto by supplying fabrics.

Traditional craft industries in Japan have been faced with difficulties because of the shortage of inheritors and decreased demand, caused in part by changed lifestyles and a flood of cheaper, imported products (Traditional Craft Industry Office, Manufacturing Industries Bureau, METI 2011). However, even under such circumstances, some traditional handicraft companies in Japan have tried to create new trends; a company succeeded in a collaboration between *Urushi* (Japanese lacquer) and wood products in Latvia with the slogan “from Made in Japan to Made with Japan.”¹ Another company succeeded in aligning Japanese traditional craft and Singaporean design into a project called “Japan Made × Singapore Design.”² One of the common factors of these projects is that they succeeded in maintaining the brand of their traditional crafts while expanding their network of buyers. They targeted new buyers of interior and architecture designer products by selling SOZAI (materials) and techniques cultivated in traditional crafts

¹ Website of Discover Japan (referred on 1 April 2018).

² Website of More Than Japan (referred in 1 April 2018).

instead of selling the completed traditional crafts. In fact, the SOZAI Exhibition: Life × Design has been held as a part of the Tokyo International Gift Show.

Handicraft industries in Lao PDR are composed of silverware, bamboo products, wood products, and textile products made of naturally produced silk dyed with plants and hand-woven by craftsmen. In addition to silken fabrics, cotton fabrics produced in the traditional way of spinning, dyeing, and weaving, which does not exist in Japan, are highly valued as well (Maki 2011). Some handicraft companies in Lao PDR have also recently undertaken innovation of new products by utilizing networks of personal contacts (Norasingh and Southmmavong 2017). Thus, the potential for collaboration between companies of traditional craft industries in Japan and handicraft companies in Lao PDR has been expanding.

As described at the beginning of this chapter, this research project is one of few projects of IDE-JETRO that intend to empirically examine the effectiveness of the support project of JETRO itself. Concretely, this project intends to identify whether transforming our support for handicraft industries in Lao PDR from just for giving assistance to supports with targeting collaborations with companies in Japan including traditional craft industries is possible and to empirically evaluate the effects of such new types of supports. First, we clarify what kinds of handicraft companies have grown and those that have tried to collaborate with foreign companies through the GIFT project implemented during FY 2015–FY 2017. We clarify how these companies have operated differently from those dependent on local markets, by conducting a questionnaire survey for local handicraft companies in Lao PDR. Second, we focus on traditional craft industries in Japan, which have moved into decline, and examine the possibility of collaboration between the Japanese and Lao PDR handicraft industries.

In this prologue, I briefly explain the methodologies of this research project in the first section. In the second section, I introduce the outlines of the following chapters. In the concluding remarks, I examine the performance of the project and future challenges.

2. Methodologies of the Empirical Research

Among the five projects supported by JETRO since FY 2001, the last two projects focused on marketing and the concept of “how to sell to whom,” while the first three projects stressed the manufacturing process, including product quality and artistic design. More concretely, GIFT project, conducted during FY 2015–FY 2017, explored a new market for gifts with a focus on selling to foreign tourists who visit Lao PDR. Even though

people in Lao PDR do exchange gifts with one another, there had not been a supply of smart, well-packaged, and wrapped gifts with a product tag and a message card with affordable prices. The SOZAI project also explores a new market for SOZAI; the project tries to change the target from existing customers to new ones. For instance, for a shoe manufacturer, the targeted customers changed from consumers who want shoes to interior and architecture coordinators who use leather; for a textile bag manufacturer, the targeted customers changed from consumers who want bags to interior and architecture coordinators who need new kinds of textile materials and manufacturing techniques that the customers themselves do not own. Therefore, our research focus has been the effectiveness of the GIFT project and SOZAI project.

The GIFT project concluded in FY 2017, and the SOZAI (materials) project started simultaneously with this empirical research project in FY 2018. It is easier to empirically examine the concluded project with a questionnaire survey. Thus, we have tried to empirically evaluate the effectiveness of the GIFT project by conducting a questionnaire survey and reviewing the contents and the meaning of the project with the project organizers, the officers of the JETRO Vientiane office. The questionnaire survey intends to differentiate the effects of the projects between the companies that participated in the GIFT project and those that did not participate in the project and between the members and non-members of the Lao Handicraft Association (LHA).

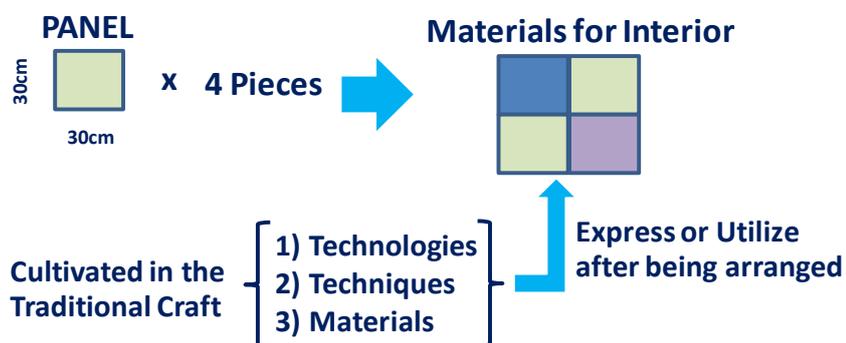
The ongoing SOZAI (materials) project is not easy to evaluate empirically. The JETRO staff who implement the project concentrate on taking notes on how they conduct the SOZAI project simultaneously and how the interior and lifestyle producers consult the handicraft companies in Lao PDR.³ At the final stage of the SOZAI project, the JETRO staff reviews and summarizes the results of the notes. In addition, the staff needs to identify the targeted partners for the collaboration with handicraft industries in Lao PDR and the companies in Japan in traditional craft industries. To this end, we interviewed some companies in the traditional craft industries in Kyoto that have experienced collaborations with companies in Southeast Asia, including in Lao PDR and conducted a literature survey on the history, current situations, and challenges of traditional craft industries in Japan.

³ We use the words “consult with” because we have taken care not to command the activities of handicraft companies in Lao PDR. Rather than instructing, we focus on making consultations with them if they ask or the interior and lifestyle producer or they are faced with some difficulties. According to the interior and lifestyle producer, he has given them chances to consider their actions on their own as much as possible as a mark of respect for their independence and ownership. If the interior and lifestyle producer does not give them all the answers, it is possible the Lao PDR companies can determine their own answers.

3. Outlines of Following Chapters

Chapter 2, “Background of Support Projects for Lao Handicraft Industry: History of Support Projects by JETRO in Lao PDR” by Katsuichi Iwakami and Kenichiro Yamada reviews the history of support projects by JETRO.⁴ JETRO has supported handicraft companies in Lao PDR, in collaboration with the LHA, since FY 2001 through five projects: *Chai Lao* Project (FY 2001–FY 2008), *Kimono* Project (FY 2010–FY 2011), Lao Japan Design Project (FY 2013–FY 2014), Lao GIFT project (FY 2015–FY 2017), and SOZAI (material) project (FY 2018). Among these five projects, the authors focus on the last two projects, which have tried to explore new markets for “GIFT” and “SOZAI.” Through the two projects, JETRO stresses the marketing of products (“how to sell to whom”) instead of how to manufacture with good designs. In the GIFT project, JETRO emphasized the product marketing with improved packaging and wrapping and adding an information tag that showed the country of origin, materials, name of manufacturer, etc., and a message card that told the story of the product. For instance, if the message card told the story of product based on traditional lifestyles of an ethnic minority group, the product could be more attractive to tourists. In the SOZAI project, the companies are asked to produce panels with four 30-cm square sections that reflect the technology, technique, and materials utilized by individual handicraft manufactures (Figure 1). The panels are intended to appeal to a cross-section of interior and lifestyle producers, such

Figure 1 A New challenge requested for SOZAI project to handicraft companies in Lao PDR



Source: Created by the author.

⁴ Katsuichi Iwakami is Chief Representative, and Kenichiro Yamada is representative of JETRO Vientiane Office.

Picture 1 SOZAI panels exhibited at SOZAI Contest in Lao PDR



Source: Taken by the author on 28 October 2018.

Picture 2 SOZAI panels exhibited at SOZAI Exhibition and visitors in Japan



Source: Taken by the author on 13 February 2019.

as interior coordinators and architecture designers. At the final stage of the SOZAI project, several panels are selected through a contest in Lao PDR (Picture 1), and the winners exhibit their works at the SOZAI Exhibition in Life and Design Show, a part of the Tokyo Gift Show Spring 2019 (Picture 2), to foster collaborations with Japanese companies, including those in the traditional craft industries. In the last part of the chapter, Yoshiharu

Yoneyama and Koichi Motomura, explains the support projects for handicraft industries in Lao PDR by the Japan International Cooperation Agency (JICA) through “One District One Product (ODOP)” as a boxed article.⁵

Chapter 3, “Supporting the SOZAI project and Guidance to Local Companies,” by Yuki Kamiesu, a JETRO staff member who implemented the SOZAI project, shows the processes of a Japanese interior and lifestyle producer guiding local handicraft companies in Lao PDR to accomplish the target of the SOZAI project—to succeed in collaborating with Japanese companies, including those in the traditional craft industries. The SOZAI project was implemented in several steps. First, a workshop was held in September, and the Japanese interior and lifestyle producer gave a new challenge, as explained in the previous paragraph, to local handicraft companies in Lao PDR. Then, the interior and lifestyle producer consulted specific prospective local companies. Next, on October 29, 2018, the SOZAI Contest was held as part of the Lao Handicraft Festival 2018 (Picture 1). At the contest, 18 local companies participated, and the top 8 companies were selected as winners; special prizes were given to two companies as chosen by the Deputy Minister of Industries and Commerce and by the Ambassador of Japan at Lao PDR. The 10 winning companies got a chance to participate in the SOZAI Exhibition held in Tokyo in February 2019, mentioned in the previous paragraph, as the third step. Consultations between the winners and the Japanese interior and lifestyle producer were made before the exhibition, in December 2018. In the consultations, the interior and lifestyle producer suggested ways to repair and display the panels at the SOZAI Exhibition better: to emphasize only one panel out of the four; to prepare for spare panels in addition to the four main pieces; and to prepare different prices, from 1,000–7,000 Japanese yen (around LAK 77,000 – 540,000), to local companies depending on the types of the companies and their works. The panels were exhibited at the SOZAI Exhibition, and interest was shown by the visitors in Japan. Around 46 business connections were made between the companies of Lao PDR and the visitors, including the one who talked with eight businessmen of Japan. The author explains in detail how the interior and lifestyle producer made consultation with each company and analyzes the reasons behind which companies won prizes and which received consultation opportunities after the workshop, as well as providing reasons for the difference between companies that succeeded in more than three business talks and those that made fewer than four business talks.

⁵ Yoshiharu Yoneyama is Chief Representative and Koichi Motomura is Project Formulation Advisor of JICA office in Lao PDR

Chapter 4, “JETRO’s Contribution to the Development of the Lao Handicraft Industry: Findings from a Questionnaire Survey” by Yasushi Ueki, a senior research fellow of IDE-JETRO, analyzes the results of the questionnaire survey conducted for handicraft companies in Lao PDR, mainly regarding the GIFT project in January 2019. In total, there were 184 sample companies; there were 100 LHA and 84 non-LHA companies, 140 Vientiane Capital and Vientiane Province companies, 28 Luang Prabang Province companies, and 26 Champasak Province companies. First, regarding the question on the degree of understanding of the concept of “Gift,” four LHA member respondents replied that they understood perfectly; 16 LHA member respondents understood quite well or well; and only one non-LHA member respondent replied that they understood quite well. On the other hand, the number of non-LHA- member respondents who replied that did not know the concept was 60, while the corresponding LHA-member number was 46. Second, the average value of export ratio out of total production value among the companies participating in the GIFT project was 20.1%, and the share increased to 23.1% in 2018. The export ratio of the companies that did not participate in such activities in 2014 was 14.2%, and the share decreased to 13.7%. Therefore, the participation in the GIFT project activities was probably effective for increasing export. Third, the participation ratio for the GIFT project was 31.0% among LHA member companies, while the ratio was 9.5% among non-LHA companies. Comparing the participation rate in the GIFT project by province, the participation ratio of the companies was 25.4% in Vientiane; 17.9% in Luang Prabang Province, and just 3.8% in Champasak Province. In particular, the number of non-LHA companies in Luang Prabang Province and Champasak Province that participated in the GIFT project was zero. Thus, the locational disadvantages of companies outside of the capital Vientiane and Vientiane Province were clearly shown.

Chapter 5, “Opportunities and Challenges of Developing Complementary Relationships between Traditional Craft Industries in Japan and Lao PDR: Lessons from Japanese Policies and Business Experiences,” by Yasushi Ueki and Yuki Kamiesu, explains the history, the current situations, and the challenges of traditional craft industries in Japan as expected partners for the collaboration with handicraft companies in Lao PDR and the challenges for the handicraft industries and the public sector in Lao PDR in realizing the collaboration. The traditional craft industry of Japan had been protected by the central government and the prefectural and city governments through the Act on the Protection of Cultural Properties in 1950 and the Act on the Promotion of Traditional Craft industries in 1974. With such support, the production value and the

number of employees of traditional craft industries had increased until 1979. However, these numbers have continued to decrease since that year. As a background, the mismatch between the producers of the traditional industries inherited the products and/or techniques for about more than 100 years and consumers accustomed to a Westernized lifestyle has increased. Thus, the Ministry of International Trade and Industry (METI) changed the policy to promote the companies of traditional craft industries to satisfy customers’ changing preference in 2000. Nevertheless, the value of production and the number of employees have still continued to decrease. It has been clear that the domestic market size of Japan would continue to decrease considering the aging of the population. With the shrinking of the market, the demand for production decreases, and then, the demand for raw materials and tools for the traditional industries and the employment in these industries also continues to shrink. As a solution to the vicious cycle, the authors advocate collaboration with companies in Southeast Asia, including Lao PDR, where capturing new raw materials and inheritors and development of new products utilizing the new materials can be expected. As the final part of the chapter, the authors enumerate the challenges for the handicraft companies and the public sector of Lao PDR.

4. Concluding Remarks

As explained in the outline of Chapter 2, business talks between companies of handicraft industries in Lao PDR and businessmen in Japan were conducted at the SOZAI Exhibition 12 – 15 of February, 2019. A business talk with a manufacturer of *Hina* dolls, which are decorated for *Hinamatsuri*, a March festival for praying for the growth and happiness of girls, is one example of possible collaboration with unexpected business partners. This is what we hoped for—that the coverage of new customers for SOZAI (materials) has expanded. In addition, according to the participants of the SOZAI Exhibition in Tokyo, the vision of many consumers has expanded after seeing the orderliness of people in Japan and experiencing a business-to-business exhibition.⁶ Thus the performances of SOZAI projects can be evaluated well.

However, we happened to find new challenges when we heard the voices of participants of the SOZAI Exhibition at Tokyo. First, the procedures for exporting include various kinds of documents, such as invoices, packing lists, shipping instructions, and

⁶ Lao Handicraft Festival organized by the LHA every year is a business-to-consumer exhibition; the visitors are consumers and business-to-business talks have yet to occur. As another goal, public relations for foreign businessmen need to be strengthened.

certificate of origin, which are complicated for small- and medium-sized enterprises of handicraft industries, and the time for concentrating on manufacturing may be decreased. With regard to this issue, a manual for the export process and employing an interior and lifestyle producer for the exporting procedure at LHA are presented. Second, natural materials such as plants for dyeing can be depleted without keeping planting. It is needed for people in villages of minor ethnic groups to be accustomed. Third, logistical costs for exporting are higher in Lao PDR. According to one handicraft company, the procedures for the Ministry of Industry and Commerce have become simplified, while the companies have to register the name of company to the system of customs. Third, as the analyses of the questionnaire survey show, gaps between the Vientiane Capital/Province and other provinces are clearly shown. To reduce the gap, LHA needs to disseminate the knowledge and knowhow that were captured through the Gift and SOZAI projects to companies in other provinces.

Finally, there are still several questions about the SOZAI (materials) project. However, these points have yet to be verified statistically; conducting another questionnaire survey on the SOZAI project is also the next step.

References

<in English>

Norasingh, X. and P. Southammavong (2017) “Firm-level human resource management and innovation activities in production networks: a case study of Lao handicraft firms,” *Asian Journal of Technology Innovation*, Vol. 25, Issue 2.

<in Japanese>

Traditional Craft Industry Office, Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry (2011) *Current situations and future promotion policies for traditional craft industries* (in Japanese, 経済産業省製造産業局伝統的工業品産業室『伝統的工芸産業をめぐる現状と今後の振興施策について』) .

Kiyoko, M. (2011) *Cotton nurtured with the sunshine and floods in Lao PDR and fabrics of Savannakhet: hand-spinning, natural dyeing and handwoven cotton*, Kyoto: Senshoku-to-Seikatusha (in Japanese, 牧喜代子『太陽と洪水が育んだラオスの木綿 サワンナケートの布：手紡ぎ、自然染色、手織り木綿』染色と生活社) .

<Websites>

Discover Japan: <http://discoverjapan-web.com/article/4601>.

More Than Japan: <http://morethanprj.com/column/3426/>.