Chapter 4
JETRO’s Contribution to the Development of the Lao Handicraft Industry: Findings from a Questionnaire Survey

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1. Introduction

Southeast Asia consists of countries with diversified cultural and natural environments, although the region promotes regional economic integration and community building. In such environments, local people have created their uniquely regional lifestyles and invented daily essentials using locally available natural materials and skills. Such uniquely rich cultural skills have been nurtured and passed down from generation to generation. Consequently, the production of handmade daily goods or handicrafts became recognized as a traditional industry that should be preserved.

In line with this common view of handicrafts, the government of Japan defined criteria for designating traditional craft industries in 1974 and, since then, has provided policy assistance to preserve and promote the industries. However, traditional crafts in Japan became mismatched with modern lifestyles and has been falling into decline since the 1970s (see Chapter 5).

Conversely, Lao PDR has nurtured its unique handicraft industry. As opposed to Japanese traditional craft industries, the Lao people still maintain conventional lifestyles even though the country is becoming westernized, especially in urban areas. However, even in the capital city, people still routinely wear traditional clothing, such as a *Sinh*, which is a Lao-style tube skirt. Therefore, the handicraft industry in Lao PDR can be considered not as traditional but as contemporary.

This industry can be promoted as an indigenous or cottage industry in the globalized economy. However, Lao handicraft firms are still young and mostly small. They do not have sufficient business skills and resources to overcome business challenges, especially with regard to taking advantage of business opportunities brought about by the internationalization of the Lao economy. The limited number of Lao firms, many of which have foreign employees or Lao employees with international experience (Norasingh & Southammavong, 2017), could succeed in seizing such chances. Thus, the Lao handicraft industry necessitates and has requested international assistance. In response to this situation, a variety of stakeholders have taken different approaches to sectoral and rural developments.

The government of Japan has assisted Lao PDR and other developing countries in Southeast Asia to realize industrial development. For the development of the handicraft industry in Lao PDR, the Japan International Cooperation Agency (JICA) has dispatched overseas cooperation volunteers. One of their recently supported initiatives is the One District One Product (ODOP) project, which includes handicrafts as one of the target products. JICA has promoted ODOP as a technical cooperation project since 2008.

More business-oriented support has been provided by the Japan External Trade Organization (JETRO) since 2001. JETRO has cooperated closely with the Lao Handicraft Association (LHA) to provide technical assistance according to the LHA's business needs (see Chapter 2). Since the launch of JETRO's first support project in 2001, more than 15 years have passed. However, no studies have been done to investigate the effects of JETRO support projects on the development of the Lao handicraft industry.

One of the reasons why such studies have not been realized is the lack of firm-level statistics on the handicraft industry. It is necessary for JETRO and other Japanese organizations to understand the handicraft industry in Lao PDR and the contributions and limitations of JETRO's assistance to the sector's development. Evidence that could be obtained from studies would also help with the planning and implementation of future support projects.

This study utilized a questionnaire survey to obtain data about the Lao handicraft industry and to investigate JETRO's contribution to the development of handicraft firms in Lao PDR. The rest of this chapter is structured as follows: Section 2 explains the methodology used for the questionnaire survey. Sections 3 and 4 present the findings from the survey, where Section 3 explains the attributes of the respondent firms, and Section 4 focuses on JETRO's support projects. As tentative conclusions from this study, Section 5 briefly discusses potential policy implications for Lao PDR and Japan.

2. Method

This chapter relied primarily on a dataset developed for a research project entitled "Empirical research to examine the effectiveness of supporting policies to SMEs of handicraft industries in Lao PDR as to realize some collaborations with traditional craft industries in Japan," which was organized by the Institute of Developing Economies

(IDE-JETRO) in Japanese fiscal year 2018 (i.e., April 2018 to March 2019). The dataset was developed with a questionnaire survey that could not have been realized without close collaboration among IDE-JETRO, JETRO Vientiane, and the Economic Research Institute for Industry and Trade (ERIIT), a research institute under the Ministry of Industry of Commerce, the government of Lao PDR.

The roles of each party were as follows: IDE-JETRO took the initiative on the collaboration. After developing a survey method, IDE-JETRO asked JETRO Vientiane and ERIIT to implement it. As a member of the IDE-JETRO team, the author of the present study, in cooperation with other research project members, developed a draft questionnaire and a codebook in English according to the interests of the research project. JETRO Vientiane made the necessary administrative arrangements for developing the collaboration with ERIIT, which took responsibility for translating the questionnaire, which had been drafted in English, into Lao. ERIIT also developed a list of handicraft firms, distributed and collected the questionnaires, and converted the collected data into the Excel format using the codebook.

For the survey site, IDE-JETRO selected Vientiane Capital and Vientiane Province, where many LHA member firms are located, and decided to add one northern and one southern province outside of Vientiane. As the two additional sites, IDE-JETRO and ERIIT selected Luang Prabang in the north and Champasak in the south, where the handicraft industry plays a considerable role in the provincial economies. The two research institutes also agreed to target both LHA member firms and non-member firms.

The ERIIT made an original list of handicraft firms by combining different existing lists, including lists from the Enterprise Registration and Management Department of MOIC, the LHA member list, and lists provided by provincial offices of the MOIC. From the original list of handicraft firms, ERIIT then randomly selected the firms to which the questionnaire would be distributed.

The survey project targeted 165 handicraft firms as the number of desired responses from the three provinces, taking into consideration budget and time constraints. In order to achieve the target number, the ERIIT decided to send the questionnaire to an initial 200 firms. In addition, to ensure implementation of the survey, the ERIIT divided its survey team into four separate teams, and each was assigned approximately 25 to 30 target firms in Vientiane, 7 to 8 firms in Luang Prabang, and 7 to 8 firms in Champasak province. Further, the ERIIT made a second list of target firms to use as replacements for firms that did not agree to participate in the survey. Before starting the survey, the research institute held a workshop to ensure a common understanding of particular questions and to review

Table 1 Respondents by province and LHA membership

	LHA member		LHA non-member		Total	
	Number	%	Number	%	Number	%
Champasak	17	65.4%	9	34.6%	26	100.0%
Luang Prabang	17	60.7%	11	39.3%	28	100.0%
Vientiane	66	50.8%	64	49.2%	130	100.0%
Total	100	54.3%	84	45.7%	184	100.0%

Source: Survey results.

methods of completing the questionnaire. The survey was conducted via face-to-face interviews in January 2019.

The survey collected 184 responses, and according to the province where the firms are located, this broke down to 130 respondent firms, or 70.7% of the total, in Vientiane, 28 firms (15.2%) operating in Luang Prabang, and 26 firms (14.1%) based in Champasak. In terms of LHA membership, 100 respondents (54.3%) are LHA members, and 84 respondents (45.7%) are non-members.

Looked at by province and LHA membership, the respondents in Vientiane had more non-member firms than the provinces outside Vientiane. About 50% of the respondents in Vientiane are LHA members, whereas member firms accounted for 65.4% and 60.7% of the respondents in Champasak and Luang Prabang, respectively (Table 1).

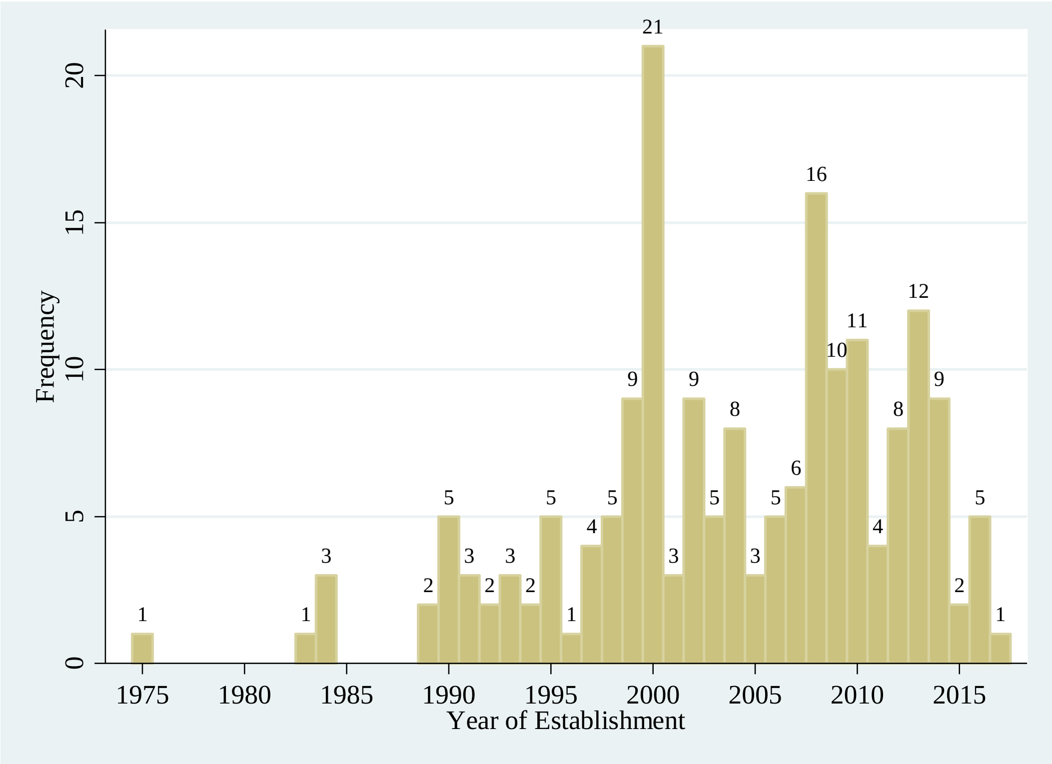
3. Characteristics of the Respondents

The survey provided various data that give detail about the characteristics of the Lao handicraft industry, such as products, firm sizes, and ownership of firms. These characteristics of Lao handicraft firms are presented in the following subsections.

3.1 Products

Handicrafts use various raw materials and can be categorized according to which materials are primarily used in a product’s construction. Among the respondents to the IDE-JETRO survey, textiles and woods are the main materials used for the products they sell. In response to the survey’s request for respondents to categorize their firm by selecting one choice from a list of raw materials used in products, around 51.6% and 24.5% of the respondents identified textiles and woods, respectively. Other important raw

Figure 1 Year of establishment



Source: Survey results.

materials are gems and metals, which are used by 12.0% of the respondents.

The survey also asked the respondents to specify the category of product that they produce or sell. Reflecting the major use of textiles, 45.1% of the respondents replied that they make or sell *Sinh*, a traditional article of clothing in Lao PDR. Other major products include shawls/scarves (34.2%), clothing other than *Sinh* (31.5%), bags/pouches (29.9%), and accessories (27.7%).

Almost half of the respondents replied that their firm's products are purchased as souvenirs, and these firms estimated that souvenir sales accounted for 19.4% of total sales in 2018.

3.2 Year of establishment and firm age

A noteworthy characteristic of the Lao handicraft industry in comparison to Japan's craft sector is that the Lao industry is composed of relatively young firms as reflected in the data regarding the year of establishment (Figure 1). Lao handicraft production became a more common business activity after the civil war ended, although handicraft production may have a long history in Lao PDR. The year that respondents' firms were established ranges from 1975 to 2017, but a peak annual number of newly founded firms was recorded in 2000 when 21 respondent firms were established. In total, about half of the survey's respondent firms were founded in 2005 or later. In particular, the handicraft industry had a boom period from 2008 to 2010, when 10 or more firms were established annually. These figures indicate that the handicraft firms participating in this survey are not old, and the average age of the respondent firms is 13 years.

3.3 Ownership

Among various other elements, one characteristic of this industry that consumers expect when they purchase handicrafts is that a firm is indigenous. In other words, consumers suppose that handicrafts should be made by local people and firms. Reflecting the local roots of handicrafts and strong connections with local communities, 93% of the respondent handicraft firms (172 of the 184 respondents) are wholly owned by local capital. In addition to the 100% locally owned indigenous firms, 7% of the respondent firms are foreign-owned (i.e., a joint venture or 100% foreign-owned). Country of origin for the foreign firms include the United States (three respondents), France (two), Thailand (two), Vietnam (two), Canada (one), China (one), and Singapore (one).

In addition to demonstrating that Lao handicraft firms are primarily owned by local capital, the question of who the owners actually are was addressed. As the Lao handicraft firms are still mostly young and small, the respondent firms are still owned and managed by the founders or their family members. In fact, about 90% of the respondent firms (166 out of 184 respondents) are owned by a family, and 88.6% of the respondents are still managed by the firm's founder. When the 8.7% of respondent firms managed by a top manager from the founder's family is added to that number, we find that 97% of the respondents are run by someone within the founder's family. These top managers are also not old. The average age of the top management is 47 years old, with the range of ages running from 24 to 79. Furthermore, this characteristic of family business dominance in the handicraft industry will continue; 50% of the respondents employ a family member who is expected to be the top manager in the future.

3.4 Size

The handicraft industry is made up overwhelmingly of small firms. This sectoral characteristic makes policy support in this industry necessary. If the respondents are categorized according to the number of employees as micro, small, or medium-sized manufacturing enterprises (MSMEs), 35.9% of the respondents are micro enterprises with

Table 2 Respondents by firm size

	Employees		Assets		Turnover	
	Number	%	Number	%	Number	%
Micro	66	35.9%	63	34.2%	107	58.2%
Small	113	61.4%	91	49.5%	63	34.2%
Medium	2	1.1%	27	14.7%	7	3.8%
Large	3	1.6%	3	1.6%	7	3.8%

Source: Survey results.

five or fewer employees, whereas 61.4% of them are small firms with between 6 and 50 employees. Only 1.1% and 1.6% of the respondents are medium-sized firms (51–99 employees) or large firms (100 employees or more), respectively. If the definition of MSMEs is based on asset size, more of the respondents would fall into the category of medium-sized enterprise, with around 14.7% of the respondents being classified as medium-sized based on assets ranging from 1 to 4 billion Kip. Of the remaining respondents, 34.2%, 49.5%, and 1.6% of them are categorized as micro (less than 100 million Kip), small (100 million to 1 billion Kip), and large (over 4 billion Kip), respectively. With respect to annual turnover, 58.2%, 34.2%, and 3.8% of the firms are categorized as micro (less than 400 million Kip turnover), small (turnover ranging from 400 million to 2 billion Kip), and medium-sized (sales ranging from 2 to 4 billion Kip), respectively. The remaining 3.8% of the respondents, with over 4 billion Kip in annual turnover, are categorized as large enterprises (Table 2).

Even though the handicraft firms are dominated by micro-sized family-run businesses, most of the respondents are formal firms, with 161 and 158 firms having completed business registration and tax registration, respectively.

4. JETRO's Support Projects for the Lao Handicraft Industry

4.1 International assistance

The objective of this study is to get a better understanding of the contributions of JETRO's support activities to the development and internationalization of Lao handicraft firms. However, in addition to JETRO, other organizations from Japan and other countries provide assistance to the Lao handicraft industry. Therefore, the survey included questions regarding whether the respondent firms had received any assistance from other

Table 3 International assistance to the respondent handicraft firms

	LHA member		Non-member		Total	
	Number	%	Number	%	Number	%
JICA	19	19.0%	0	0.0%	19	10.3%
Japanese organizations other than JICA	13	13.0%	0	0.0%	13	7.1%
Countries other than Japan	15	15.0%	0	0.0%	15	8.2%
International organizations	11	11.0%	0	0.0%	11	6.0%
International NGOs	12	12.0%	0	0.0%	12	6.5%

Source: Survey results.

Japanese or other foreign organizations.

The survey results show that JICA is one of the more important organizations in providing assistance to Lao handicraft firms. Among the 184 respondents, 19 firms, or 10.3%, had received assistance from JICA. Furthermore, countries other than Japan had provided technical assistance to 15 respondents (8.2%), whereas international organizations and non-governmental organizations (NGOs) had supported 11 (6.0%) and 12 (6.5%) of the respondents, respectively (Table 3).

It should be noted that only LHA member respondents received the benefit of the assistance given by these organizations, and no technical assistance had been given to the non-member respondents (Table 3).

4.2 Participation of Lao handicraft firms in JETRO projects

JETRO has provided Lao handicraft firms with support in cooperation with the LHA since fiscal year (FY) 2001. As of FY 2018, JETRO has implemented the following five projects: the Chai Lao Project (FY 2001¬–2008), the Kimono project (FY 2010–2011), the Lao Japan Design project (FY 2013–2014), the Lao GIFT project (FY 2015–2017), and the SOZAI project (FY 2018). The details of each of these projects are explained in Chapter 2.

With regard to these projects, the survey asked respondents whether their firm had participated in seminars or individual consultations provided by JETRO as a part of the specific support projects. In addition, respondents were asked their main sources of information about JETRO’s support projects. Findings from these questions are summarized as follows.

Table 4 Participation in JETRO support projects by LHA membership

	LHA member		Non-member		Total	
	Number	%	Number	%	Number	%
Chai Lao Project	28	28.0%	2	2.4%	30	16.3%
Kimono Project	20	20.0%	2	2.4%	22	12.0%
Lao Japan Design Project	33	33.0%	5	6.0%	38	20.7%
Lao Gift Project	31	31.0%	8	9.5%	39	21.2%
Sozai Project	24	24.0%	2	2.4%	26	14.1%

Source: Survey results.

(1) *Chai Lao project (FY 2001–2008)*

About 16.3% (30 out of 184) of respondents participated in at least one activity organized for the Chai Lao project (Table 4). Most of the respondent firms obtained information from the LHA, which was the main source of information about the project for 36 respondents (19.6%). Only five non-member firms obtained information from the association. Other information sources were JETRO (eight firms, or 4.4%), LHA non-members (six, or 3.3%), other participant firms (five, or 2.7%), and so on. About 75.0% of the respondents (138 out of 184) were unfamiliar with the project.

Although the project was aimed at developing the national brand of Laos, named "Chai Lao" (the Heart of Laos), only four respondent firms obtained the brand.

(2) *Kimono project (FY 2010–2011)*

About 12.0% of the respondents (22 out of 184) were involved in at least one activity organized for the Kimono project (Table 4). The limited focus of this project on Kimono might have led to the low numbers of participants in related activities. The information on the project was disseminated mainly by the LHA (31, or 16.8%) and JETRO (6, or 3.3%). On the other hand, 145 firms (78.8%) did not receive any information about the project.

(3) *Lao Japan design project (FY 2013–2014)*

About 20.7% of the respondents (38 out of 184) joined at least one activity (Table 4) related to the Lao Japan Design project. As opposed to the Kimono project, this project expanded the range of target products, which likely led to the increased numbers of participants. As with other projects, 36 firms (19.6%) obtained project information from the LHA, while seven respondents (3.8%) specified JETRO as their main source of information about the project. In contrast, 143 handicraft firms (77.7%) did not recognize the project.

(4) *Lao GIFT project (FY 2015–2017)*

JETRO organized four activities for this project each fiscal year for three years, beginning with a seminar where a JETRO expert explained the concept of gifts. In addition, participant firms in the seminar could arrange for individual consultations with the JETRO expert after the seminar in the seminar venue. The JETRO expert also invited particular firms to receive advice on a private, individual basis. Lao handicraft firms were also invited to enter a contest organized by the LHA and JETRO, held during the Lao Handicraft Festival. It was expected that most of the participants in the contest would have at least participated in the seminar and had an individual consultation with the JETRO expert before entering the contest. However, while some firms approached the JETRO expert to receive advice during the seminar, many did not participate in the contest. It was also possible to participate in the contest without participating in the seminar or consultations.

The survey results showed that 39 respondents (21.2%) participated in at least one activity related to this project during the three years that it was implemented. Among these participants, 18 firms participated only in the seminar, and five of the seminar participants asked the JETRO expert for advice, with one firm receiving individual advice. However, out of these 24 firms attending the seminar, only 15 (8.2% of the total respondents) took part in the contest (Table 5).

The LHA distributed information about the Lao Gift project to handicraft firms, and

Table 5 Participation in GIFT project (FY 2015–2017)

	LHA member		Non-member		Total	
	Number	%	Number	%	Number	%
Didn't participate in any activities	69	69.0%	76	90.5%	145	78.8%
Participated in at least one activity	31	31.0%	8	9.5%	39	21.2%
Participated in seminar	12	12.0%	6	7.1%	18	9.8%
Receive advice at the seminar venue	4	4.0%	1	1.2%	5	2.7%
Receive advice individually	1	1.0%	0	0.0%	1	0.5%
Participated in contest	14	14.0%	1	1.2%	15	8.2%
Total	100	100.0%	84	100.0%	184	100.0%

Source: Survey results.

39 respondents (21.2%) obtained information primarily from the LHA. The second information source about the project was JETRO, which provided information to nine respondents (4.9%). However, 137 respondents (74.5%) did not receive any information about this project.

(5) *SOZAI project (FY 2018)*

In FY 2018, JETRO launched the SOZAI project. "Sozai" comes from the Japanese word for raw materials, and this project was intended to promote materials and skills used in the Lao handicraft industry rather than focusing on the products (see Chapter 3). The experiences of the traditional crafts industries in Japan indicates that exports of Lao handicrafts may not be able to continue growing because Lao handicrafts do not always fit with foreigners' lifestyles.

In the SOZAI project, a Japanese expert tried to transfer know-how for developing collaborations between the Lao handicraft industry and both domestic and international partners outside of the industry. As a future outcome of this project, Lao handicraft firms will be able to develop novel products by combining their unique materials and techniques with collaborators' knowledge of the target markets.

As is the case with the Lao GIFT project, JETRO organized four activities for this project, including a seminar, individual consultations with a JETRO expert at the seminar venue, individual consultations for firms invited by the JETRO expert, and a contest in cooperation with the LHA and held during the Lao Handicraft Festival. Details about the SOZAI project were provided in Chapter 3.

According to the survey results, 26 respondents (14.1%) participated in at least one activity related to the SOZAI project in FY 2018 (Table 4). Among these participants, 11 firms participated only in the seminar, whereas four participants obtained advice from the JETRO expert at the seminar venue. However, these 15 firms did not try to participate in the contest. As a result, only 11 respondents entered the contest (Table 6).

As with the previous projects, 26 firms (14.1%) obtained information about the project mainly from the LHA, and six firms (3.3%) were kept informed by JETRO. On the other hand, 152 firms (82.6%) did not receive any information on the SOZAI project.

4.3 Lao GIFT project and handicraft exports

These JETRO support projects for the Lao handicraft industry were aimed at promoting business with Japan and other countries and at increasing the opportunities for direct and indirect exports of Lao handicrafts. Thus, this study uses exports as a percentage of total

Table 6: Participation in Sozai project (FY 2018)

	LHA member		Non-member		Total	
	Number	%	Number	%	Number	%
Didn't participate in any activities	76	76.0%	82	97.6%	158	85.9%
Participated in at least one activity	24	24.0%	2	2.4%	26	14.1%
Participated in seminar	11	11.0%	0	0.0%	11	6.0%
Receive advice at the seminar venue	3	3.0%	1	1.2%	4	2.2%
Receive advice individually	0	0.0%	0	0.0%	0	0.0%
Participated in contest	10	10.0%	1	1.2%	11	6.0%
Total	100	100.0%	84	100.0%	184	100.0%

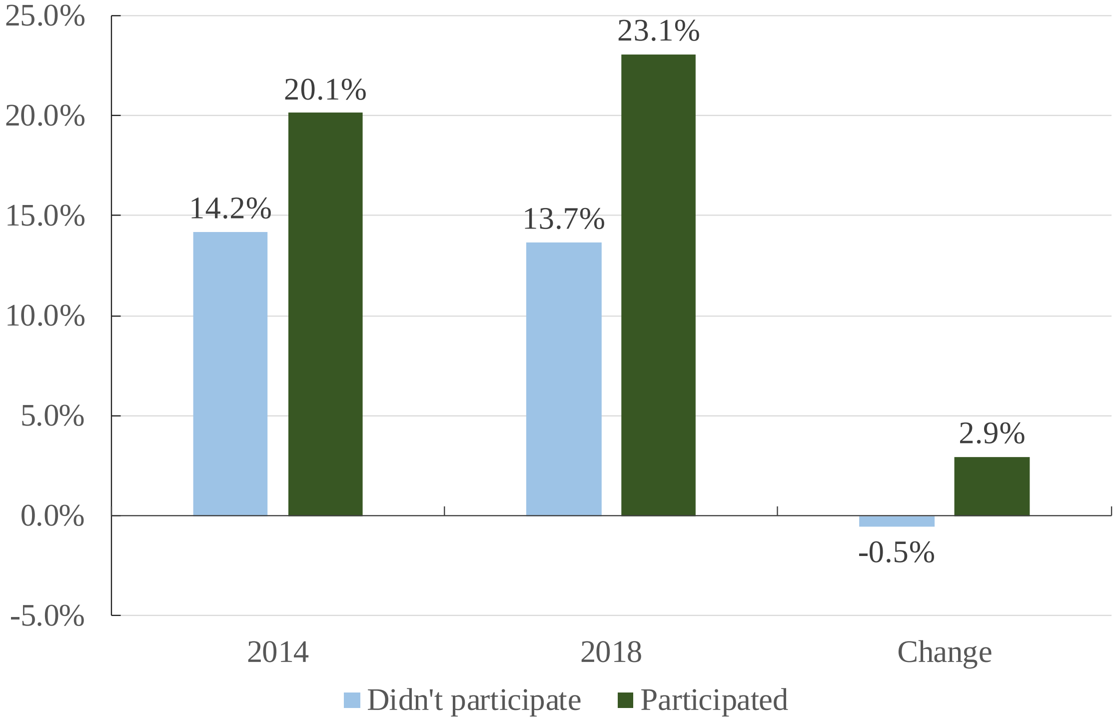
Source: Survey results.

sales (the export ratio) as a measure of the firm's performance in this regard. The export ratio variable that was used included both direct and indirect exports during the time period of 2014 to 2018.

As described above and in Chapter 2 and Chapter 3, JETRO has provided several different support projects. The most recent of these, the SOZAI project, was launched in FY 2018. Given the aim and nature of this project, it will take some time to realize collaborations between firms and have those collaborations contribute to sales and exports of SOZAI (raw materials). The concept of SOZAI is new to Lao PDR, so handicraft firms will need to find new customers in different industries. On the other hand, the Lao GIFT project was implemented from 2015 to 2017 with the aim of expanding customer bases for existing products. Hence, this project can bring tangible results in a shorter period of time than the Lao GIFT project. In consideration of these characteristics of the JETRO projects, this study focuses on the association between the Lao Gift project and handicraft exports for the investigation of JETRO's contributions to the development of the Lao handicraft industry.

The data show that the aggregated export ratio average of all respondent firms remained around 15.5% to 16.3% from 2014 to 2018, with an aggregate average change during that time of 0.2 percentage points, which is only a minimal change. However, if the respondents are divided into two groups of those respondents who did participate in the Lao GIFT project and those respondents who did not, we can observe a gap in the average export ratios between the two groups. In 2014, the average export ratio for participants in the project was 20.1%, whereas the figure for non-participants was 14.2%, showing a difference of 5.9 percentage points. In 2018, the average value for participants

Figure 2 Export ratio and change in export ratio



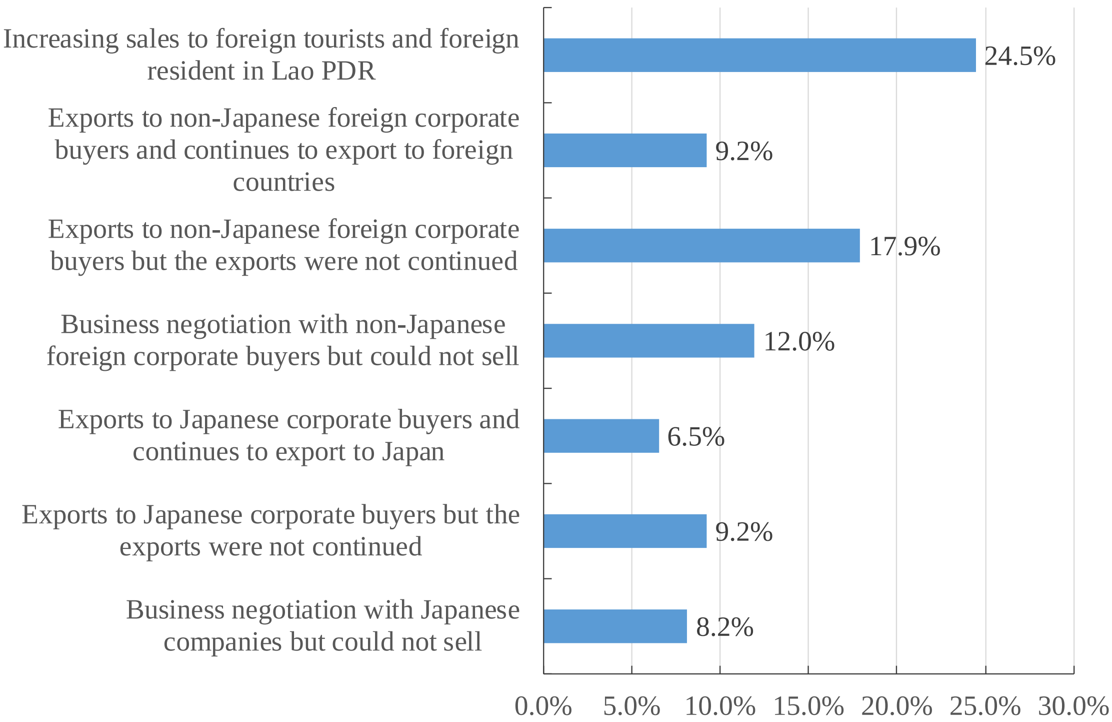
Source: Survey results.

was 23.1%, while for non-participants, it was 13.7%, showing that the difference in the export ratio between the two groups had widened to 9.4 percentage points.

In the middle of this time span, in 2016, participants in the Lao Gift project recognized an increase in export ratio, from 21.3% up to 23.6%, and the firms in this group maintained an export ratio of around 23% throughout the remainder of this time period, while the non-participants experienced a slight decrease in the same time frame, from 14.3% to 13.7%. This contrasting performance is even more evident when we compare the changes in the average ratio of each group from 2014 to 2018. The average change for participant firms is 2.9 percentage points, while the change for non-participant firms is −0.5 percentage points (Figure 2).

The survey also included a question asking respondents to provide a subjective assessment of the outcome of the Lao GIFT project. About 24.0% of the respondents responded that the greatest impact from the project was an increase in sales to foreign tourists and foreign residents who were visiting Lao PDR. Following this outcome were "exports to non-Japanese foreign corporate buyers but the exports were not continued" (17.9%) and "business negotiation with non-Japanese foreign corporate buyers but could

Figure 3 Subjective assessment on outcomes of GIFT project



Source: Survey results.

not sell" (12.0%) (Figure 3).

Of the 39 respondents who participated in the Lao GIFT project, 41% of the respondents had seen increased sales to foreign tourists visiting Lao PDR, and 53.3% of the 15 respondents who exhibited their products at the contest related to the Lao GIFT project had seen the project's effects on their sales to foreign tourists and foreign residents in Lao PDR. When looking only at the respondents that exhibited their products at the antenna shop set up as part of the GIFT project, 57.1% (four firms) were able to increase sales to foreign tourists and foreign residents and also indicated they had entered business negotiations with non-Japanese foreign corporate buyers, although they could not sell. These observations indicate that JETRO has made some positive contributions to promoting Lao handicraft exports through the Lao GIFT project.

4.4 Limitations of JETRO support projects

As described earlier in this section, there has not been widespread awareness of JETRO support projects among Lao handicraft firms. About 75% of the respondent firms did not know about these projects, and this percentage is stable across all the projects. This finding implies problems in the dissemination of information about JETRO's cooperation for the Lao handicraft industry, which may be inherent in the project implementation design. JETRO has organized activities for these support projects in Vientiane in cooperation with the LHA. Therefore, it can be conjectured that LHA membership and the location of the respondent firm may affect whether they receive information about JETRO's activities.

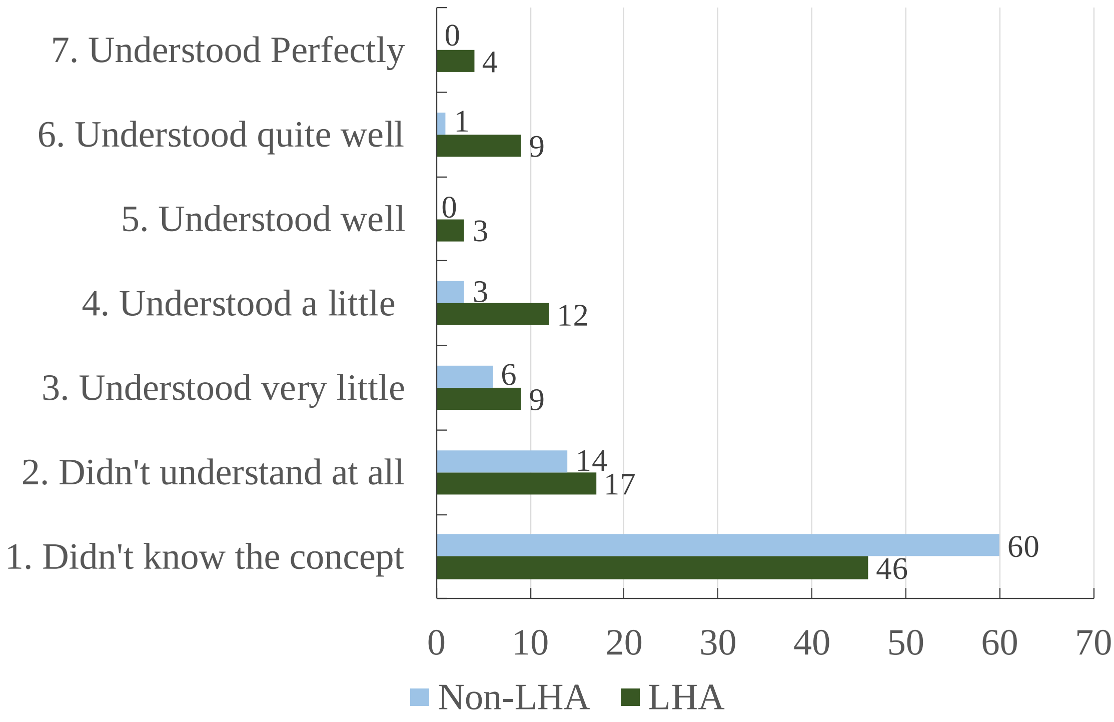
The survey data show gaps in the participation rates in the Lao GIFT project between LHA member firms (100 respondents) and non-member firms (84 respondents). Among the LHA member respondents, 31 firms participated in at least one activity developed for the project (a participation rate of 31.0%), whereas there were only eight (9.5%) participating firms among the non-member respondents (Table 4). Further, among the participating firms, only two non-member firms (2.4%) received consultations from the JETRO expert, one of which participated in the contest. Conversely, the JETRO expert gave consultations to 19 LHA member firms (19.0%), 14 of which participated in the contest (Table 5).

The difference in participation rates in the Lao GIFT project between the LHA members and the non-members resulted in a gap also in the degree of understanding about the concept of "gift." The survey asked respondents to give a subjective self-assessment of their degree of understanding about the concept of gift as proposed by the JETRO expert. Answers were given on a seven-point scale where the possible responses were (1) didn't know about the concept; (2) didn't understand at all; (3) understood very little; (4) understood a little; (5) understood well; (6) understood quite well; and (7) understood perfectly. In 2017, when the project completed, 16 LHA member firms (16.0%) replied that they understood well, quite well, or perfectly, whereas only one LHA non-member firm reported understanding the concept quite well (Figure 4). In addition, even in 2017, 74 non-member firms (88.1%) still did not know or understand the concept. While there were 63 (63.0%) LHA member respondents who reported not knowing or understanding the concept, the LHA non-members lagged significantly behind the LHA members in terms of their understanding of the concept of "gift."

The degree of understanding about this concept may be improved by receiving technical advice face-to-face from the JETRO expert (Table 7). Thus it is necessary to motivate firms to participate in these JETRO contests to enhance the effects of the technical assistance projects.

In addition to LHA membership, differences in the location of the respondent firms,

Figure 4 Degree of understanding about the concept of "GIFT" 2017



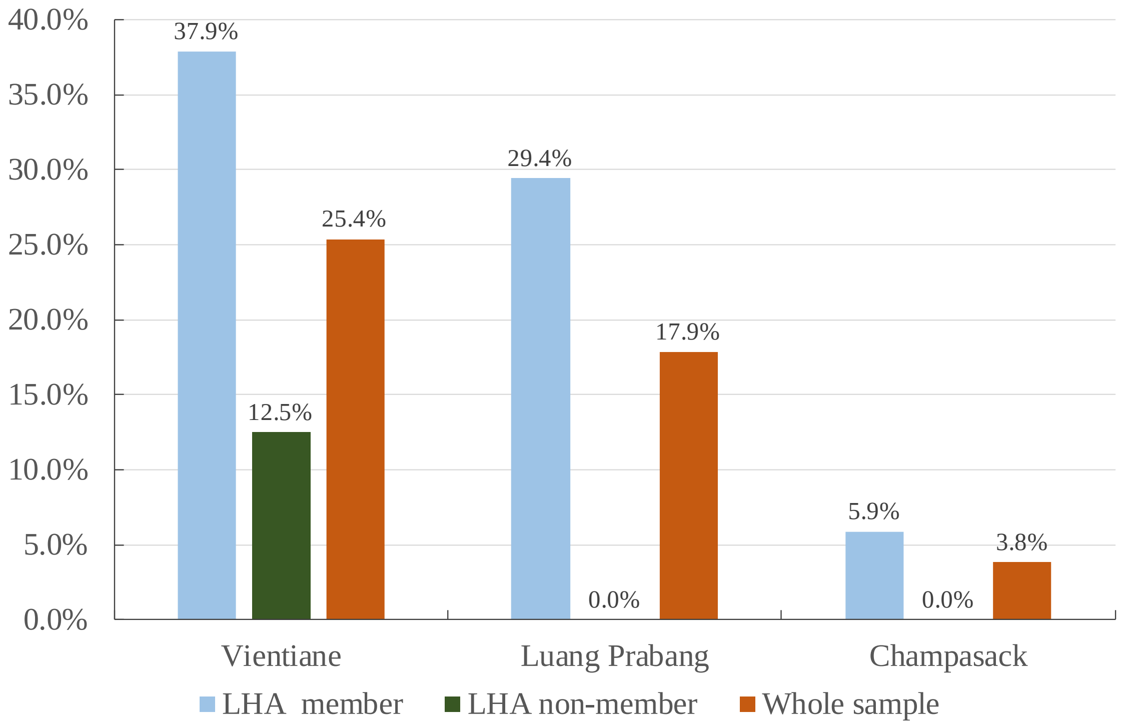
Source: Survey results.

Table 7: Change in degree of understanding about the concept of "GIFT" Participation between 2015 and 2017 by participation in GIFT project activity

	Decreased	Same	Increased	Total
Didn't participate in any related activities	1	139	5	145
Participated in seminar	0	18	0	18
Receive advice at the seminar venue	0	2	3	5
Receive advice individually	0	0	1	1
Participated in contest	1	11	3	15

Source: Survey results.

Figure 5 Participation rate in GIFT Project by LHA membership and province

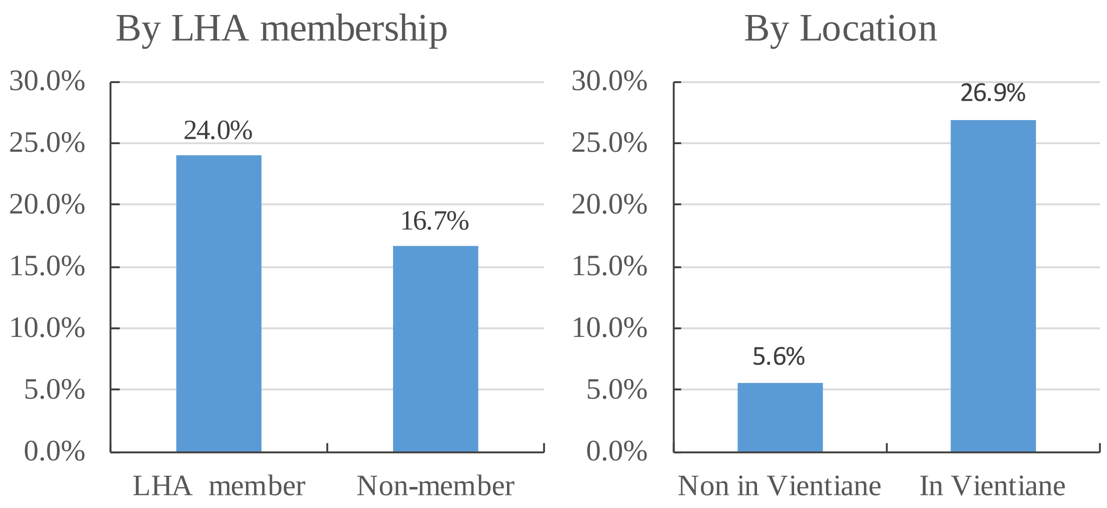


Source: Survey results.

especially those in and outside Vientiane may have caused gaps with regard to participation in JETRO support activities. In fact, the dataset clearly shows regional gaps in participation rates for the GIFT project, where 25.4% of respondents in Vientiane participated, while only 17.9% from Luang Prabang did so, and a low 3.8% from Champasak participated. This finding suggests that LHA membership is not the only variable affecting these firm; a handicraft firm's location being outside Vientiane may also negatively affect participation in JETRO projects.

Furthermore, the gap between LHA members and non-members was observed among the firms in each province (Figure 5). If the data is limited to the respondents in Vientiane only, about 37.9% of LHA members and 12.5% of non-members took part in the JETRO project. Similarly, 29.4% of LHA members in Luang Prabang and no non-members in that province participated. The participation rate for Champasak is much lower than the others, with only about 5.9% of the member firms in Champasak coming to Vientiane to participate in JETRO support project; no non-members from Champasak did so. Therefore, the gaps in the participation rates among the respondents may be caused by a combination of the factors of LHA membership and location. In particular, the gap

Figure 6 Firms who recognize Lao GIFT Antenna Shop by LHA membership and location



Source: Survey results.

in participation rates of LHA members among the different provinces suggests that travel costs may contribute to this regional gap.

However, the regional gaps in dissemination of information regarding JETRO project activities may be caused not only by location but also the dynamics of information sharing among firms. To learn more about this problem, we examined the data on an antenna shop in Vientiane that was opened as a part of the GIFT project to exhibit gift products that had received awards in the contest, for the purpose of market research. This activity is recognized by 24.0% of the LHA member respondents and 16.7% of the non-members. By location, the antenna shop is known by 26.9% of the respondents in Vientiane and 5.6% of respondents outside of Vientiane (Figure 6). The significant regional gap in recognition of the antenna shop suggests problems in information sharing among Lao handicraft firms, particularly because information transmission is not necessarily subject to restrictions due to geographical distance.

5. Policy challenges for Lao PDR and Japan

The survey results show that Lao GIFT project may have contributed to increasing export of Lao handicraft products. More active participation in JETRO support projects by Lao handicraft firms might be able to prompt greater benefits for the Lao handicraft industry.

However, beneficiaries of JETRO support projects may be limited to LHA member firms. The survey data suggest a geographic concentration of beneficiaries of the JETRO activities for handicraft firms in Vientiane. This regional difference of opportunities for receiving assistance in the handicraft industry can result in widening development gaps between provinces in Lao PDR. In most of the provinces, manufacturing industries are undeveloped, whereas handicraft production is geographically dispersed, as noted by Gokan, Kuroiwa, Laksanapanyakul, and Ueki’s (2016) investigation. Handicraft industry promotion is important for provincial development. Yet, in spite of the importance of handicraft industry development in provinces, it seems that firms outside particular interest groups or outside Vientiane have a disadvantage in terms of access to information about international cooperation projects and, therefore, have fewer chances to participate in related activities.

To mitigate the uneven distribution of benefits from international cooperation projects, the government of Lao PDR should cooperate with business organizations to promote information sharing among firms and between regions. In particular, beneficiaries from international cooperation projects can transfer their experiences to the other provinces. Such self-help efforts by Lao entities should be encouraged by the government of Lao PDR because it is not easy for foreign people to enter provinces to effectively give assistance. As an added benefit, mutual cooperation among Lao firms will lead to encouraging Lao PDR to become independent of international assistance, while JETRO and other Japanese organizations can provide continuing support for promoting Lao initiatives.

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