

Chapter 4

Handicraft and Artisan Crafts

August 2019

This chapter should be cited as

ERIA (2019), 'Handicraft and Artisan Crafts', in Ambashi, M. (ed.), *Development Strategy of Five Selected Sectors in the Lao People's Democratic Republic (2020-2025)*. ERIA Research Project Report FY2018 no.7, Jakarta: ERIA, pp.61–77.

Chapter 4

Handicrafts and Artisan Crafts

1. Current State

1.1. Recognition of Current State

While the state of handicrafts and artisan crafts (hereafter referred to collectively as ‘handicrafts’) in the Lao PDR is not advanced in comparison with those in developed countries, the differences often lie in specifications and accuracy, and many of these can be settled through appropriate corrections and education. Handicrafts in the Lao PDR can be described as ‘charming, graceful, tasteful, and attractive.’ It is important to make use of these features in accordance with the nature and use of the products.

Materials produced in the Lao PDR, such as silk threads and timber, have world-class potential. However, the country's population is generally unaware of this fact and they are somewhat lacking in the skills necessary to process these materials into products. For example, they do not yet realise that improving certain skills (such as the use of spindle machines instead of manual work to process cocoons into silk threads or the adoption of the latest colour-fixing agent after dyeing) can raise the level of handicraft products to a global standard.

The Lao government does not currently take note of types of handicraft products in the country, and often focuses solely on products already widely circulated throughout the marketplace. In fact, the Lao Handicraft Association (LHA) only includes sections for fabric products, non-wood products, processed precious metal products, cultural products, recycled products (timber and buffalo horns), and earthenware. While the Lao government appears ready to upgrade handicrafts to a small industrial sector, it needs to recognise that ‘craft’ is different from ‘industry.’ Industry is the production of inexpensive and practical goods through mass production and other industrial methods, while craft produces tasteful, elaborate, artistic, traditional, and cultural goods at considerable cost and over a longer period of time. More attention should be paid to the essential differences between these two modes in terms of earning structures and sales targets.

1.2 Exports and Imports of Handicrafts

According to data for 2016, the Lao PDR exported \$145,000 worth of art objects, of which antiques accounted for 33%, paintings 26%, sculptures 26%, and collectors' items 16%. Imports came to \$136,000, of which paintings accounted for 86%, sculptures 13%, and collectors' items 1.4%.

1.3 Status of and Problems with the Five-Year Plan of the Ministry of Industry and Commerce

The MOIC presented the 'Nationwide Promotion of the Handicraft Industry and Development Project Plan (2016–2020)' based on the Prime Minister's Order No. 24 (7 May 2014), and the MOIC's 10-Year Development Strategy for the manufacturing and commerce industries, among others. The vision of the plan is to enhance the added value of products and seek the sustainable preservation of national cultures and customs by diversifying products and improving knowledge, ability, and technology for production in cooperation with handicraft experts

Although there is no problem with the vision, the government has not yet provided a clear definition of products' added values.

The goals of the plan are as follows:

- (i) average annual growth of 15% for the production of handicraft products,
- (ii) five pilot groups created for the production of handicraft products every year and the realisation of exports totalling \$25 million,
- (iii) an improved environment for investment in the handicraft sector to facilitate investment and management of plants, and
- (iv) five capacity-building seminars for government officials in charge held every year.

The comments are as follows:

- (i) Since handicraft products have largely been produced by farmers as sources of cash income during the agricultural off-season, this growth target is unattainable without an increase in the number of full-time producers. In terms of value, growth of 9% is necessary if the annual inflation rate of around 6% is taken into account.

- (ii) The Lao PDR now needs to build a handicraft information platform that can enable access from abroad if it aims to target on exports.
- (iii) It is unclear whether the Lao PDR is eager to promote handicrafts or convert the household production sector into a manufacturing industry. If the Lao PDR wants to improve the environment for investment in the handicraft industry then it should target microfinance; on the other hand, if the country focuses on the manufacturing industry, it must target the environment for bank loans.
- (iv) Even if the government officials in charge attend capacity-building seminars, successful results often fail to be realised due to changes in assignment. Continuous policy action is necessary for producers who are actual beneficiaries.

The plan presents the following opportunities:

- (i) government policy prioritising support for handicrafts to address the problem of poverty,
- (ii) the presence of the LHA as a bridge between member companies and other organisations,
- (iii) securement of materials to meet demand,
- (iv) trust in talented craftworkers and craftwork inherited from their ancestors,
- (v) room for raising added values due to the presence of various products across the country,
- (vi) popularity both at home and abroad,
- (vii) financial support from both domestic and foreign sources, and
- (viii) products unique to the Lao PDR that are art objects unavailable in other countries and can compete with those of the ASEAN region and other nations.

The comments are as follows:

- (i) This policy is related to ethnic collaboration and should consequently be given weight.
- (ii) Member companies of the LHA include many large-capital firms, while the number of handicraft businesses as narrowly defined by this plan is small. Reforms related to the

status of the LHA and its activities such as the certification of Lao handicraft products are needed.

- (iii) Detailed checking is first necessary to define what demand means. Even if production doubles from the current level, it is unlikely that it will become difficult to secure materials in light of the products manufactured at present.
- (iv) In the case of Japan, the policy is guaranteed by the Human National Treasures and Professional Engineer Certification systems, which can be connected to branding and differentiation attempts.
- (v) One subtle issue, but an important one for raising the added value of the Lao PDR brand, is whether the policy is targeting a combination of products or an increase in the added value of each product. Although various handicraft products are available across the country, the MOIC has failed to collect effective basic data on specialties and products in various parts of the country.
- (vi) Added values of products and their sales will not increase unless certain distinctions are made, such as whether handicraft products are popular with some people with refined taste, popular as products themselves, or popular as a national product.
- (vii) Whether development fails due to the absence of money or whether money does not increase due to the absence of development might be seen as a 'chicken-and-egg' problem. Investment environments in the Lao PDR cannot be established unless the roles of and legislation regarding the government and the LHA are clarified.
- (viii) Differentiation attempts are important to branding, and it is important to clarify differentiated parts of Lao handicrafts.

Some challenges of the policy are outlined below:

- (i) Use of skills and technologies is limited.
- (ii) Plants and craft centres are scattered, making transport of materials and products difficult.
- (iii) Producers' trust in domestic and overseas markets is limited.
- (iv) Supply cannot meet large-lot orders, and productivity is low.

- (v) Producers are small in scale and engage in domestic production.
- (vi) Technology levels are low, and the volume of production is limited.
- (vii) Market competitiveness is weak due to low quality and high production costs.
- (viii) Designs fail to meet overseas demand and are thoroughly limited to domestic demand.
- (ix) Access to capital is limited and interest rates are as high as 10–15% per year.
- (x) Incentive funds are small in comparison with those in other sectors.
- (xi) Producers' knowledge of, competency with, and access to electronic information are limited.

The comments are as follows:

- (i) Handicraft products are the result of technologies fostered and accumulated over time, and there is a concern that they will become mere industrial products if cutting-edge technologies are introduced.
- (ii) The problem of size and volume relative to the level of handicraft products can be settled in the Lao PDR by building a distribution mechanism.
- (iii) To create trust, it is necessary to have branding, product certification, set specifications, and insurance, among other things, which are established by a nation. Trust in markets can be built through continuous efforts.
- (iv) There is a concern that handicraft will go beyond its framework and become an industry if it pursues large-lot orders and improved productivity. Nevertheless, since the problem of improving productivity can often be settled by the introduction of technology and know-how, it is necessary to institute technological cooperation and other programmes from the public and private sectors, both at home and abroad.
- (v) Small-scale domestic production is not seen as a problem as far as handicraft is concerned.
- (vi) Basic levels of technology are ensured, and products of a certain quality are supplied to the domestic market at low prices. However, when it comes to exports, competitiveness is low, likely due to the lack of basic merchandise plans such as uneven specifications for each product and safety problems.

- (vii) Even if Lao PDR producers enter into designs demanded by foreign consumers, it is difficult to compete with Chinese and other industrial products. To produce products that both retain a Lao style and are accepted in developed countries, merchandise plans are important, and designers capable of meeting demand among target customers are needed.
- (viii) Current interest rates in the Lao PDR are not very high; real interest rates are 5–10% with an inflation rate of around 5%, compared to 20% charged by the Grameen Bank, and 15–20% for card and other loans in Japan. Since bank loans have become high hurdles for handicraft producers, preferential policy measures for small and medium-size enterprises by banks and microfinance providers are needed.
- (ix) Incentive funds lack sustainability because of capital shortfalls. It may be necessary to transfer into the funds part of the commissions for certification under the One District One Product (ODOP) campaign, as well as commissions under the certification system for traditional crafts.
- (x) Access to the internet is widely available, except for people who reside in mountainous areas. However, the question is whether citizens want access to electronic information. Motivated business operators are selling their products via Facebook and other platforms. The problem of access to electronic information is expected to be settled by the development of a user interface, usable even by people without knowledge of electronic information, as part of an ODOP platform established by the MOIC. This platform would cover such topics as information on ODOP products, electronic account settlements, and individual delivery services, including overseas.

Ten objectives of this plan are as follows: (i) the creation of handicraft pilot groups, (ii) professional training for handicrafts, (iii) the holding of exhibitions, (iv) supply of funds, (v) the reinforcement of expertise (skills), (vi) the protection of handicrafts, (vii) the creation and supply of a database, (viii) promotion and guidance for the use of information technology (IT), (ix) the establishment of a handicraft research centre, and (x) integration through the ASEAN Economic Community.

While the effectiveness of projects carried out by pilot groups to improve product technology and boost sales needs to be verified, experience suggests that the promotion of overall capacity building for producers, government officials, and the LHA is effective to avoid the

concentration of pilot-group projects in major companies. To facilitate the establishment of a handicraft research centre, it is desirable to (i) collect basic data on handicrafts, including traditional crafts; (ii) create a database; (iii) provide professional training and management guidance; (iv) introduce technology; (v) establish specifications and a certification system; and (vi) design and implement highly effective systems. The unification of cooperation among the MOIC, MOAF, and Ministry of Post and Telecommunications (MOPT), among others, as well as with overseas organisations will help streamline projects and support the sharing of information.

1.4 Cooperation with Foreign Organisations

A programme conducted by JETRO for handicrafts in the Lao PDR provides a model of an effective approach by overseas organisations. The specifics of the programme are outlined below (JETRO, 2017).

At the request of the Lao government, JETRO has been jointly conducting support activities with the LHA since 2001, with the aim of improving the quality and expanding exports of Lao handicrafts in accordance with the Lao PDR's export strategy. The 'Gift Project' begun by JETRO in 2015 is part of this effort. This project has been helping local handicraft makers learn how to develop their products into specialty gift items that can draw the interest of foreign tourists visiting the Lao PDR. While the quality of Lao handicrafts is held in high regard, in general the products have not been created from the perspective of selling them as gift items until now. Instead, the same products intended to meet the needs of local residents are also marketed to inbound tourists. JETRO thus began this project to help develop daily commodities into lucrative items by changing this outlook.

Figure 4.1: Pictures of a Japan External Trade Organization Activity

Sample gift product



Expert assisting at a seminar



Source: Japan External Trade Organization (2017), 'Laos Traditional Handicraft Assistance Project: The Gift Project by JETRO'.

https://www.jetro.go.jp/en/jetro/topics/2017/1701_topics1.html (accessed 13 April 2019).

In August 2015, JETRO dispatched an expert to the Lao PDR and held a seminar titled 'New Lao Gift, New Lao Handicraft' to provide information regarding the custom of souvenir-giving, packaging, and relevant trends. In addition, open consulting services were provided to Lao companies, and a lively discussion was held throughout the venue as to what can be improved upon. Some ideas regarding the creation of items never before seen in the Lao PDR were brought up, including new ideas for materials and design. The Laos Handicraft Festival in Vientiane (October–November 2015) held the first gift contest in collaboration with the LHA, with the aim of further improving the quality of Lao products as gift items.

2. The Lao People's Democratic Republic's Advantages in Handicrafts

Handwoven silk products and wooden artisan crafts are readily available at relatively low prices in the Lao PDR. While the introduction of technologies has made little headway, sustainable products dyed with natural and other pigments, which are popular in the US and the EU, remain abundant in the Lao PDR as do materials and processing work. Such products are extremely effective for branding.

3. Bottlenecks for the Growth of Handicrafts

The absence of unified specifications has made it difficult to distribute Lao handicrafts as general merchandise. As regulations concerning safety have yet to be established, products exported to other countries are each subject to inspection. Means of distribution for business-to-customer transactions are limited to postal services and transporters such as DHL, making the cost of transport extremely high and hampering sales for e-commerce sites and other routes.

4. Discussion of the Current State of Affairs

It seems that the Lao government has yet to formulate an overarching policy of how to define and develop handicraft products. Depending on the approach taken—such as whether to promote the development of handicrafts into an industry, raise the fundamental capability of producers as a means of fighting poverty, or preserve them as the country’s cultural heritage—solutions vary and require the establishment of a working group for each approach. Industrial promotion of handicrafts in the Lao PDR is aimed at developing the industry of ‘craftwork’ into a niche industry with high added values. The selection of means to improve added values at each stage of production, production technology, sales targets, sales methods, and publicity methods is a policy priority.

4.1. Policy Measures Adapted to Reality, Especially Industrial Promotion with an Eye on Exports

As there seems to be no shared recognition in handicraft promotion policies of such basic elements as time span (When), places (Where), agents and subjects (Who), subject issues (What), reasons (Why), and means and measures (How) (otherwise known as the 5Ws and 1H), attention should be paid to the following improvements. First, the government’s policy (the 5Ws and 1H) should be clarified. In particular, this policy calls for the protection of handicraft products as culture, the vitalisation of handicraft products as means to reduce poverty, and the development of handicraft products into a major industry. Further, necessary measures and financial issues can be clarified by establishing the definition of

handicraft products. Measures for each product can be clarified and the access of markets and buyers to products can be improved by providing quality data on handicraft products.

4.2. New Trends in Product Distribution

Currently, many product distribution transactions (business-to-business and business-to-customer) take place online. Utilising existing distribution networks and payment means, basic platforms are available that enable ‘anyone’ to do business easily with customers across the world ‘anywhere.’ Given the niche nature of handicraft products in the Lao PDR, the use of internet-based transactions must be activated. Detailed data on the current situation of e-commerce are provided in Tables 4.1 and 4.2 and Figures 4.2 and 4.3.

Table 4.1: Top 10 Economies by Business-to-Business and Business-to-Customer E-Commerce (2015)

Economy	Total		B-to-B		B-to-C
	\$ billion	Share of GDP	\$ billion	Share in total e-commerce	\$ billion
United States	7,055	39%	6,443	91%	612
Japan	2,495	60%	2,382	96%	114
China	1,991	18%	1,374	69%	617
Republic of Korea	1,161	84%	1,113	96%	48
Germany (2014)	1,037	27%	944	91%	93
United Kingdom	845	30%	645	76%	200
France (2014)	661	23%	588	89%	73
Canada (2014)	470	26%	422	90%	48
Spain	242	20%	217	90%	25
Australia	216	16%	188	87%	28
Total for top 10	16174	34%	14,317	89%	1,857
World	25,293	100%	22,389	100%	2,904

B-to-B = business-to-business, B-to-C = business-to-customer, GDP = gross domestic product.

Source: United Nations Conference on Trade and Development (2017), *Information Economy Report 2017: Digitalization, Trade and Development*. Geneva: United Nations Conference on Trade and Development. <https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1872> (accessed 13 April 2019).

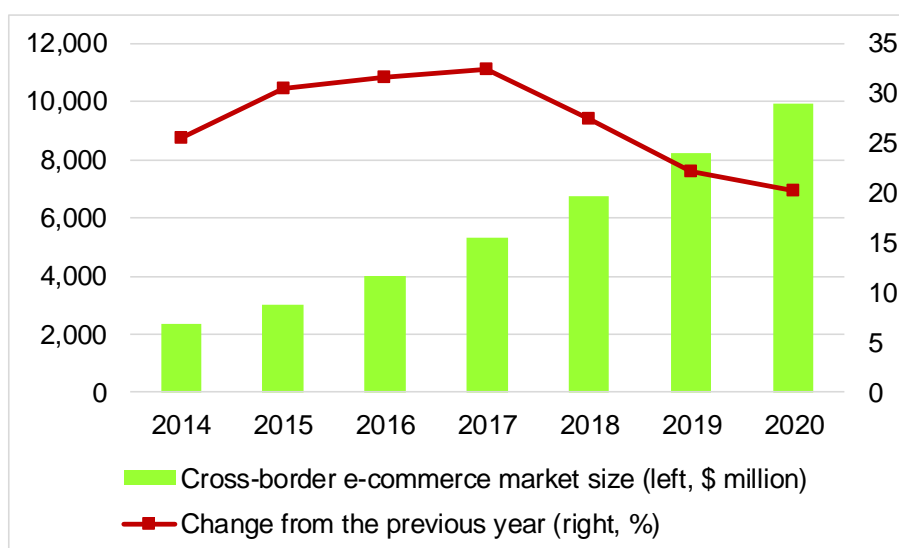
Table 4.2: Estimates of Cross-Border Online Business-to-Customer Purchases, Top 10 Importers (2015)

Economy	Cross-border online purchase (B-to-C)			Total B-to-C (\$ billion)	Cross-border online shoppers
	Total value (\$ billion)	Share of B-to-C in merchandise imports, by value	Share of total B-to-C		Number of shoppers (million)
United States	40	1.7%	7%	612	34
China	39	2.3%	6%	617	70
Germany	9	0.8%	10%	93	12
Japan	2	0.3%	2%	114	9
United Kingdom	12	1.9%	7%	200	14
France	4	0.7%	6%	73	12
Netherlands	0.4	0.1%	2%	19	4
Republic of Korea	3	0.6%	5%	48	10
Canada	7	1.7%	16%	48	11
Italy	3	0.8%	19%	17	6
Total for top 10	120	1.4%	7%	1,839	181
World	189	1.1%	7%	2,904	380

B-to-C = business-to-customer.

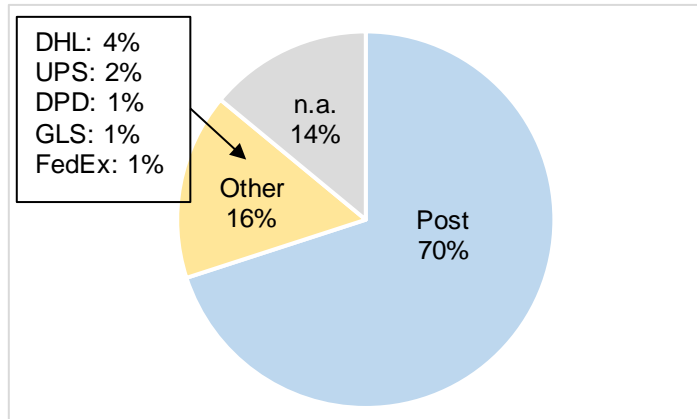
Source: United Nations Conference on Trade and Development (2017), *Information Economy Report 2017: Digitalization, Trade and Development*. Geneva: United Nations Conference on Trade and Development. <https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1872> (accessed 13 April 2019).

Figure 4.2: Global Cross-Border E-Commerce Market Size and Increase Rate

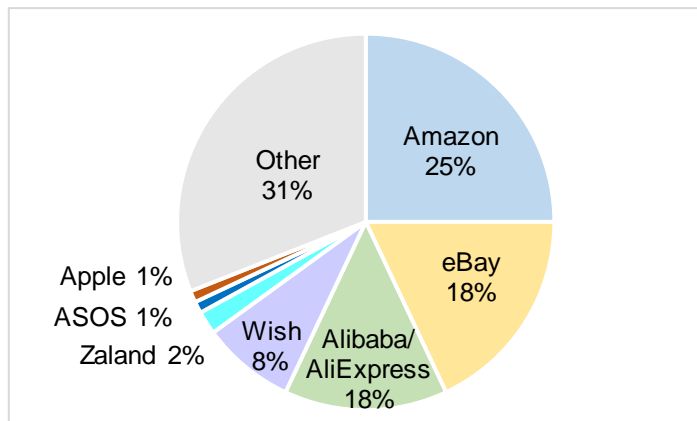


Source: Ministry of Economy, Trade and Industry, Japan (2017), 'FY2017 E-Commerce Market Size Survey.' https://www.meti.go.jp/english/press/2018/0425_002.html (accessed 13 April 2019).

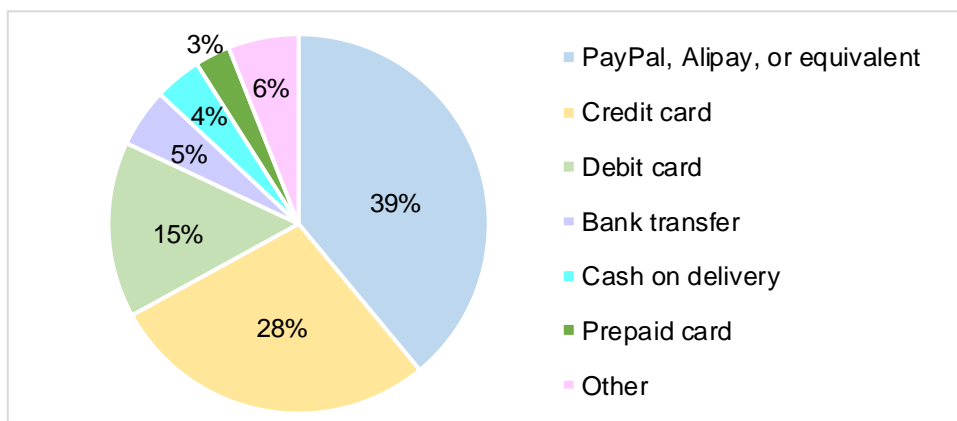
Figure 4.3: Main Use Components in Cross-Border E-Commerce Delivery Provider



E-Retailer



Preferred Payment Option



GLS = General Logistics Service, n.a. = not applicable, UPS = United Parcel Service.
 Source: International Post Corporation (2017), 'IPC Cross-Border E-Commerce Shopper Survey 2017'.
<https://www.ipc.be/sector-data/e-commerce/cross-border-e-commerce-shopper-survey>
 (accessed 13 April 2019).

Electronic transactions via e-commerce sites and others, led by Amazon and Alibaba, are expected to keep growing, as seen in Figure 4.3. E-commerce creates an environment in which anyone in the world can purchase any merchandise, no matter where he or she may be. Necessity, safety, prices, scarcity, attractiveness, and stories are important for purchases as incentives. In the case of handicraft products, the attractiveness and scarcity of products create high added values, and purchases are prompted if their stories and backgrounds are played out to facilitate understanding. The more that products are oriented toward personal enjoyment, the less prices serve as a criterion for judgment for purchasing. The provision of basic information, the stories of the products, distribution means, and diversified payment means are minimum required factors for the development of e-commerce sites.

4.3. Relationship with the ‘One District One Product’ Campaign for Handicrafts and Artisan Crafts

An analysis of the current state, advantages, and bottlenecks described in this section on handicrafts can also be applied to ODOP commodities. It is strongly recommended that e-commerce be used fully as a tool to pass on vivid, memorable messages, while providing background information about indigenous craftworkers, families, and villages, as well as the quality of products, to consumers. Such products are likely to attract the attention of consumers who desire to contribute to reduce poverty in remote rural areas. To this end, policy measures should be steadily formulated to reduce shipping and transportation costs from rural, remote areas to Vientiane in response to the rapid progress of the digital economy in the Lao PDR.

Table 4.3: ‘One District One Product’ Certified Products

Target ‘One District One Product’ products	
Processed food	Handicrafts
(i) Dried beef or pork, and meat dried with herbs	(i) Carved flower pots or vases, and wooden carvings
(ii) Herbal tea	(ii) Pottery
(iii) Black ginger wine and citrus wine	(iii) Banana fibre products (e.g. napkins, cloths, and blankets)
(iv) Organic tea	(iv) Traditional Lao clothing made of Lao silk
(v) Rice products	(v) Rattan products (e.g. chairs, tables, and baskets)
(vi) Dried fruit	(vi) Accessories (e.g. scarves, earrings, bracelets, and bags)
(vii) Fruit juice	(vii) Carved pictures of places of attraction in the Lao People’s Democratic Republic
(viii) Alcohol (made from fruit or rice)	(viii) Carved gold and silver bowls

Source: Authors.

5. Policy Recommendations

5.1. Creation of an E-Commerce Platform Designed for Exports

If weight is placed on exports, it is important to expose Lao products to as many people in the world as possible (see section 4.4.3). The development of e-commerce sites, which do not require much investment, is seen as the most important approach. Minimum necessary steps to establish e-commerce sites are the facilitation of bank transfers, credit card-based payments, multiple payments such as identification data payments via Amazon Pay and PayPal, and postal, door-to-door, and other delivery services. These platforms are expected to become a highly effective tool for delivery services and must be completed as early as possible. Express mail service and other overseas delivery services by the Lao Post are very user-unfriendly due to complicated payment systems and procedures. Thus, it is important for the MOIC and MOPT jointly to work out preferential measures for e-commerce sites and simplify the procedures.

There are five systems that can be used for e-commerce platforms: (i) application service provider–e-commerce, (ii) open source, (iii) e-commerce package, (iv) cloud, and (v) full scratch. Annual turnover rises in value from (i) to (v); the customisation of services also improves, and advances in customisation are accompanied by rises in initial payments and management expenses. The application service provider–e-commerce system (i) is the best for the Lao PDR at present, and platforms should be upgraded as orders increase.

When purchases by domestic consumers and tourists are taken into account, the creation of omnichannel sites can help attract more repeat customers by improving customer satisfaction, and can boost sales on a long-term basis.

5.2. Technological Improvement for Handicrafts

Given the current market scale, it is important to pursue products that satisfy a variety of tastes and specialties. It is also important to introduce needed technologies, such as functions and designs, in cooperation with the overseas small and midsize companies handling them.

5.3. Matching with Market Needs

As market needs reflect the interests and tastes of customers or end buyers, it is impossible to meet all of them. Therefore, it is important to select target markets and countries, extract elements from Lao handicrafts capable of satisfying these, and focus on them to capture demand there. To sort out customers and find targets, it is necessary to accumulate sales data from e-commerce sites. Such data make it possible to collect and analyse a large volume of information and approach appropriate markets. In addition, the acquisition of purchase data from e-commerce sites for handicrafts in other countries makes it possible to discover target markets and needs by analysing purchase trends.

It is also important to collect data from physical stores, as this practice can provide useful information directly from customers, such as what products they want and defects of existing products. Duty-free shops directly operated by the government and shops of handicraft products should be opened at the Wattay International Airport and other locations where there is heavy traffic from abroad. Nationwide publicity can be implemented in collaboration with e-commerce sites by not only selling ODOP products but also selling and exhibiting products in sectors chosen by the government for promotion. Matching between handicrafts and tourism improves the accuracy of information on targets through mutual use of their information, and participating in tourism fairs and the like around the world makes it possible to analyse needs in various areas and disseminate information.

5.4. Preservation and Industrialisation of Traditional Crafts and Culture

While it is important to conduct market research and determine what kinds of products are in demand, it is also necessary to match them with market trends in terms of using the skills and designs currently owned by the Lao PDR. If the products are sensitive to market trends,

they will be subjected to price competition and a certain amount of them will need to be machine-produced. Such products will then become an industry rather than handicraft. The market demands products that convey a sense of the Lao PDR, which only handicrafts and art works can do. Furthermore, for domestic industrial protection, events such as 'Miss Handicraft' should be held to expose the products to as many people as possible, in part to raise interest among young people with the potential to engage in handicraft works.

5.5. Crafting Techniques and the Collection of Information Concerning Product Information

Customers can now perform an internet search to purchase needed products and obtain basic product and crafting technique information (although the problem of trustworthiness remains). Therefore, it is necessary to increase sales through the dissemination of production information led by the government and industry organisations, utilise ICT technology, and develop buying platforms. Crafting techniques should be documented in video-based archives to preserve traditional crafts and cultures, and information should be disseminated via video streaming sites to arouse interest in products and stimulate purchases.

5.6. Creation of a System to Deal with Domestic Sales, Exports, Projected Demand for Tourism, and Product Requests

As mentioned with respect to the MOIC's programmes, a certification system and database should be created by a handicraft research centre and other entities in cooperation with existing organisations. They should also ensure certain specifications (e.g. display, size, and quality of material) and certain safety steps (e.g. inspections into food hygiene and the safety of chemical agents, and the display of the results).

In addition, a government-led platform should be established to introduce products, serve as an archive of product information and stories, and present merchandise stories of their processing from raw materials into finished products, in order to educate observers that these are regional products of the Lao PDR.

6. References

6.1. Company G (Japanese Company Planning to Do Business in the Lao People's Democratic Republic; Information Technology Company Developing E-commerce Sites)

Present Business Operations

The company creates purchasing sites. Although based in Japan, it plans to establish a data processing centre in the Lao PDR to take advantage of inexpensive electric power.

The Advantages of the Lao People's Democratic Republic

Cost of labour and infrastructure expenses are low. There is ample room for introducing new technologies because unnecessary technologies have not been brought into the country. Since IT-related education will be mainly conducted as on-the-job-training, only basic programming knowledge is required.

Present Bottlenecks

The government's ICT policy is unclear. Handicraft and art products are not suitable for mass production as many of them are not used in day-to-day life. Although they must be converted into products with high added values, the technologies to accomplish this have not yet reached the necessary level. In addition, in the absence of basic understanding of market research, it seems important to deepen understanding of the market.

Requests to the Government of the Lao People's Democratic Republic

The IT industry requires the introduction of certain hardware and the development of software to operate it. As hardware and software are only a 'pair of wheels' for the industry, the government should provide guidelines and policy as to how to promote and protect the industry. Japan has realised handicraft and art products with high added values and high prices because the government and industry groups have established systems to certify products and producers, and ensure a certain level of quality. The Lao PDR has no such systems reaching that level. ODOP and other campaigns merely prove that products are made in the Lao PDR, and do not guarantee safety and stability.

Policies and Improvements Required for Future Business Expansion

As the domestic distribution of handicrafts is already saturated, future growth may depend

entirely on an increase in tourism. It is also important to consider exporting handicrafts. To this end, the establishment of certain specifications and levels of safety, smooth distribution channels, and archives and stories of product information are necessary.

Measures Required for the Future Development of the Lao People's Democratic Republic

To realise the objectives mentioned above, it is necessary to establish certain specifications (e.g. display, size, and quality of material), safety regulations (e.g. inspections into food hygiene and safety of chemical agents, and display of results), smooth distribution channels (e.g. cooperation with international postal services capable of dealing with purchases through Amazon), and archives and stories of product information. Since the number of products in the Lao PDR is not large, it is necessary to create a government-led platform for the introduction of products, instead of disorganised promotion. To open its door wider, the platform should accept participation free of charge, and can receive fees when deals are done. Product stories, which should be understandable to anyone on the internet, must emphasise 'made in the Lao PDR' products, as well as the process of production from raw materials to finished products.

With respect to handicrafts, which belong to the category of a hobby, the market (which is the world on the internet) is expected to grow if all forms of access are combined, since there are people with refined taste in every country. If appropriate policy measures are undertaken by conducting research on the market concerned, it will be possible to establish a long-term, stable market.