

TRADE DEVELOPMENT FACILITY 2 – CASE STUDIES

Viengthong Trading promotes Lao traditional herbs and medicine in China

Trade has an impact on incomes – an increase in the volume of trade of 10 per cent can raise per capita income by over 5 per cent. Due to the important positive benefits of trade on economic growth and poverty reduction, the Australian Government has set an aid for trade target that represents 20 per cent of the total aid budget by 2020. In Laos, the Australian aid for trade objective is to build a stronger trade regime and more competitive private sector. Support to the micro, small and medium-sized enterprise sector aims at improving their competitiveness and ability to export, with a particular focus on women entrepreneurs.

This case study focuses on Viengthong Trading, a company trading in Lao traditional medicine and how, with support of the BAF, they reached new clients by attending a trade fair in Kunshan, Kunming, China.

THE SECOND TRADE DEVELOPMENT FACILITY (TDF-2)

TDF-2 is a multi-donor project funded by Australia, the European Union, Germany, Ireland, the United States and the World Bank and implemented by the Ministry of Industry and Commerce focused on improving trade and private sector development in Lao PDR.

The TDF-2 includes the Business Assistance Facility and the Garment Skills Development Centre.

THE BUSINESS ASSISTANCE FACILITY (BAF)

The Business Assistance Facility is part of the “diversification and competitiveness” sub-component of TDF-2. BAF is designed to support individual firms build their skills and experience so that they can grow and become more competitive internationally. This is achieved through two main activities: (i) direct consulting services to individual firms regarding their business growth plans; and (ii) matching grants to assist individual firms to purchase specialized business development services in support of their growth plans. BAF commenced operations on 1st October 2013 and is scheduled to conclude on 31st March 2017.

VIENGTHONG TRADING

Viengthong Trading are a producer and buyer of traditional Lao medicine. They are a family business with a shop in Vientiane and a workshop and storage 20 km from Vientiane. The company started 15 years ago when Mr Prapat Protprommart, the owner and managing director and his family began collecting medicinal herbs and roots from Laos and exporting to India, China, Vietnam and Thailand. 10 years ago they began transforming these herbs into traditional medicine and products such as essential oils, massage oil, shampoo, soup, sauna herbs and balm. Now they sell both raw materials and final products. Their clients include wholesalers for traditional medicine stalls at the market, buyers who sell in other provinces and customers who come directly to their shop. Orders also come through their website from Thailand, China and Laos.



Mr Prapat in his shop in Vientiane, next to Hospital 103



THE BAF GRANT



Viengthong Trading booth at the Trade Fair in China

Viengthong Trading applied for a grant to attend a trade fair in Kunshan, Jiangsu Province, China. They were informed about the BAF Grant from a staff member at the Department of the Trade Promotion in the Ministry of Industry and Commerce who asked them to join a trade fair abroad. The grant paid for 50% of all costs associated with the attendance of Mr Protprommart and his wife at the trade fair including airfares, accommodation, a translator, cost of transporting material for their display stall at the fair and rent for the booth.

Around 10 companies from Laos joined the fair including two other companies selling traditional medicine as well as companies selling wood furniture, silver jewellery, rice and canned food.

Viengthong Trading also applied for and received a second grant which was to produce a brochure to present products in English, Lao and Chinese.

WHAT CHANGED?

The company made little immediate financial profit from the fair but they gained many potential new Chinese customers and China is a huge market for traditional medicine. Many customers who visited Viengthong's booth at the Fair were surprised to discover that some products familiar to them were actually from Laos. Thai and Vietnamese companies have been sourcing, packing and sending herbs to China so that customers did not know that the herbs actually originated in Laos. Because it has remaining forest, Laos is an important source of naturally grown quality medicinal herbs.

WHAT'S NEXT?

Attending the trade fair in Kunshan triggered an expansion for the Viengthong trading company to connect with new customers abroad. In addition, Mr Protprommart appreciated the gesture by the Government to reach out and support his company. Previously, his perception of the Government was that they were only interested in macro projects, big factories and big companies, not small family businesses but this has changed since receiving the grant. Therefore the BAF may be helping to bridge a gap between the Government and private sector.



Tree mushrooms drying at Viengthong Trading – Laos is a country where the forest is still a natural source of traditional medicine herbs and roots