market information services was highest in Yogyakarta, 89.2 percent, and in Bandung, 85.2 percent.

As stated earlier, the item most requested in Bali was exhibitions, 62.2 percent. Compared with other regions, there were less demands on the government, reflecting the fact that business is possible in Bali with the tourists. (See Fig. 2-5-7.)

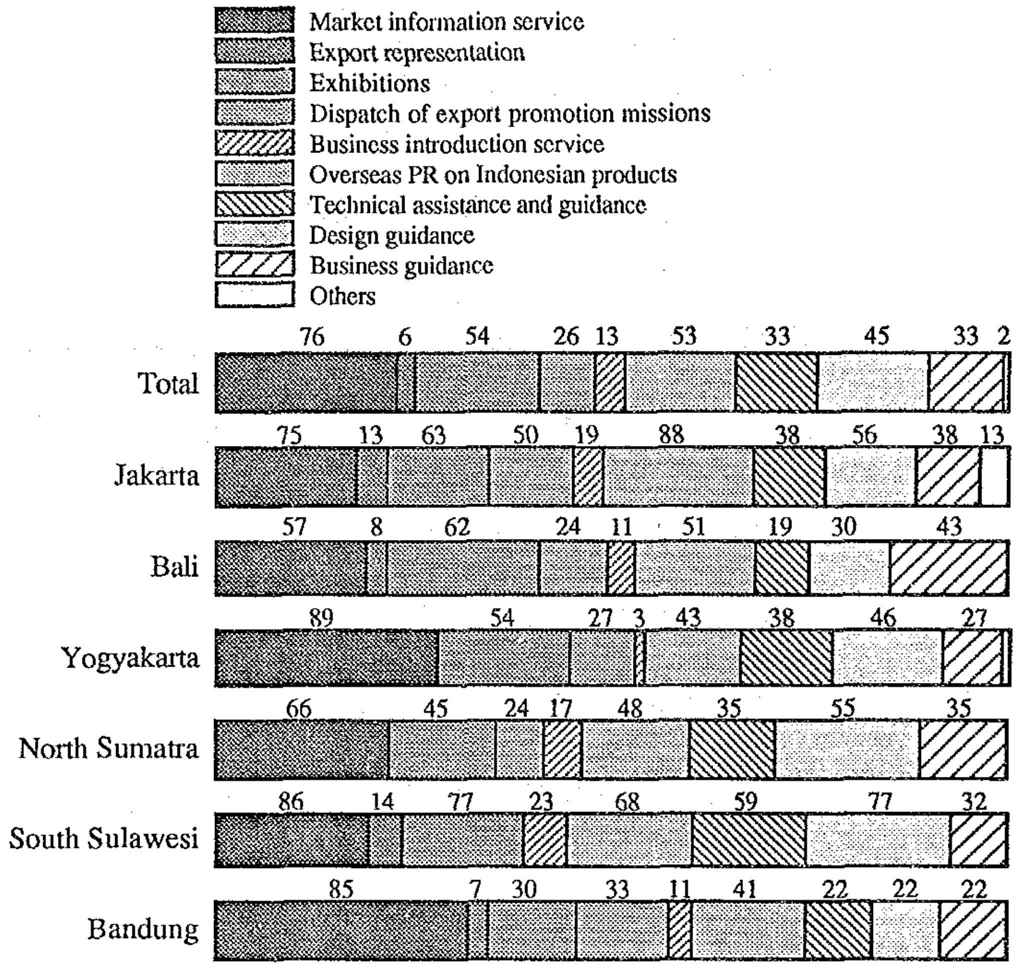
b. Materials

Joint procurement, which was requested most frequently on the national level, was requested most frequently on the regional level by South Sulawesi, by 83.3 percent of the companies, and Bandung, 79.2 percent. As opposed to this, research and development was requested most often in Jakarta and Yogyakarta and inspections of quality most often in Bali and Yogyakarta. (See Fig. 2-5-8.)

c. Production

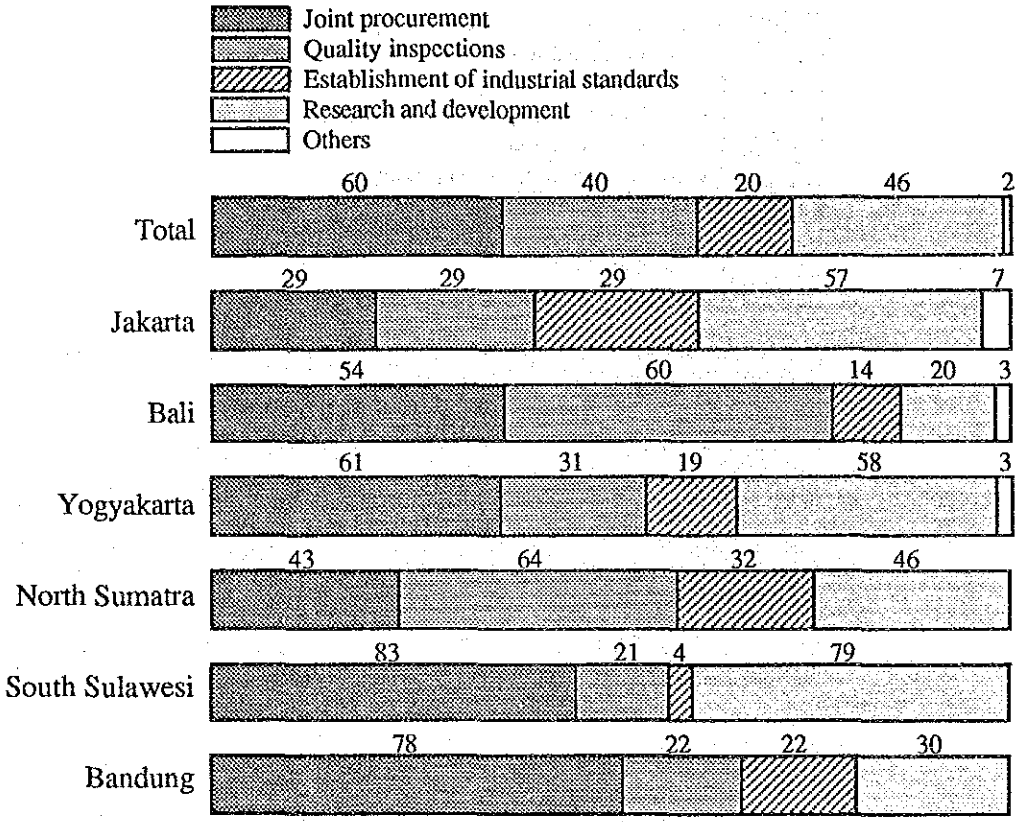
In Jakarta, guidance by foreign experts was requested most often, in 75.0 percent of the cases, while in Bandung guidance by TPLs was requested most often, in 53.6 percent of the cases. In other regions, technical guidance and training were requested most often, particularly often in South Sulawesi, 92.3 percent of the cases, and Yogyakarta, 86.5 percent of the cases.

Fig. 2-5-7: Request to Government as Seen by Region (Export Promotion)



Note: The figures show the percentages with respect to the number of valid replies for each region. The percentages of each item for each region show the percent with respect to the total number of requests (same below).

Fig. 2-5-8: Requests to Government as Seen by Region (Materials)



d. Quality control

In Jakarta and Bandung, information services were requested most often, but in other regions guidance and training were requested the most. In particular, 89.7 percent of the companies in North Sumatra and 89.3 percent of the companies in South Sulawesi requested this. In Bali, there were little requests for anything and the base number used for calculation of percentages included all companies, even those not replying. Even with the most frequently requested item, guidance and training, the figure was only 38.0 percent. (See Fig. 2-5-10.)

e. Design

In Jakarta, training of designers in Japan, provision of information, and guidance by foreign designers were all requested often, in 71.4 percent of the cases. This differs from the other regions where the most frequent request was for guidance and training. Even in other regions, there were frequent requests for training of designers in Japan. (See Fig. 2-5-11.)

Fig. 2-5-9: Requests to Government as Seen by Region (Production)

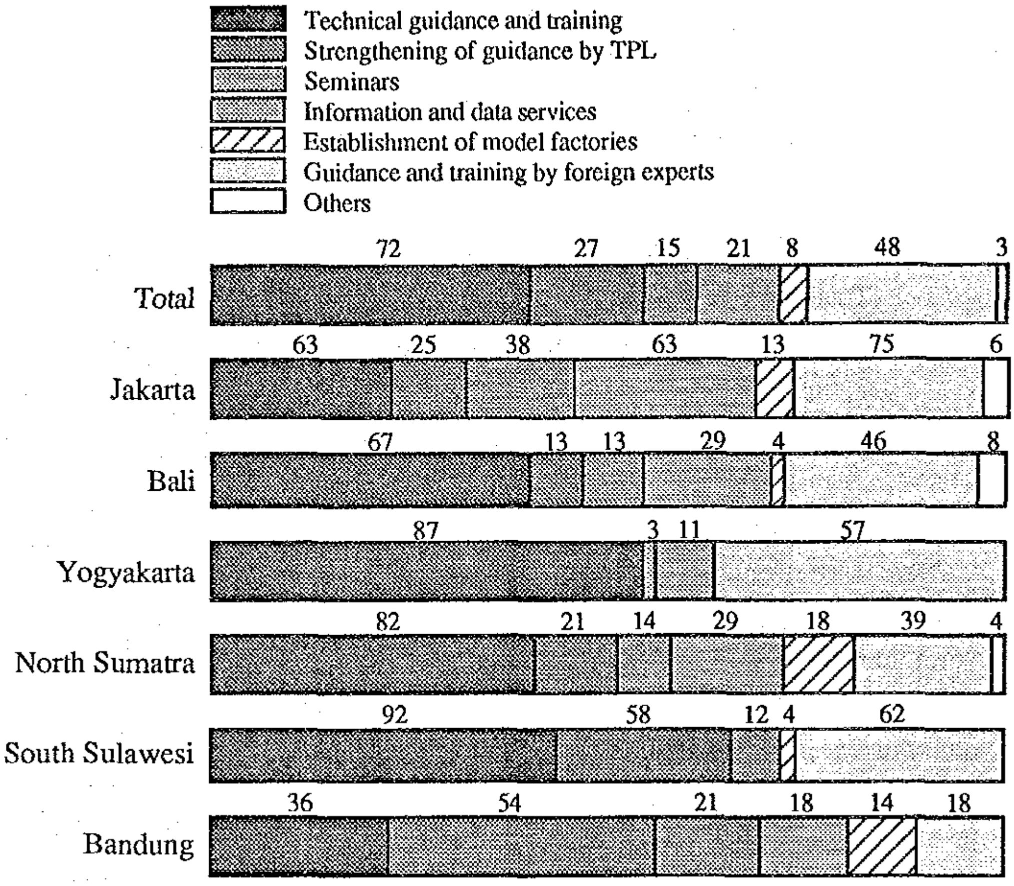


Fig. 2-5-10: Requests to Government as Seen by Region (Quality Control)

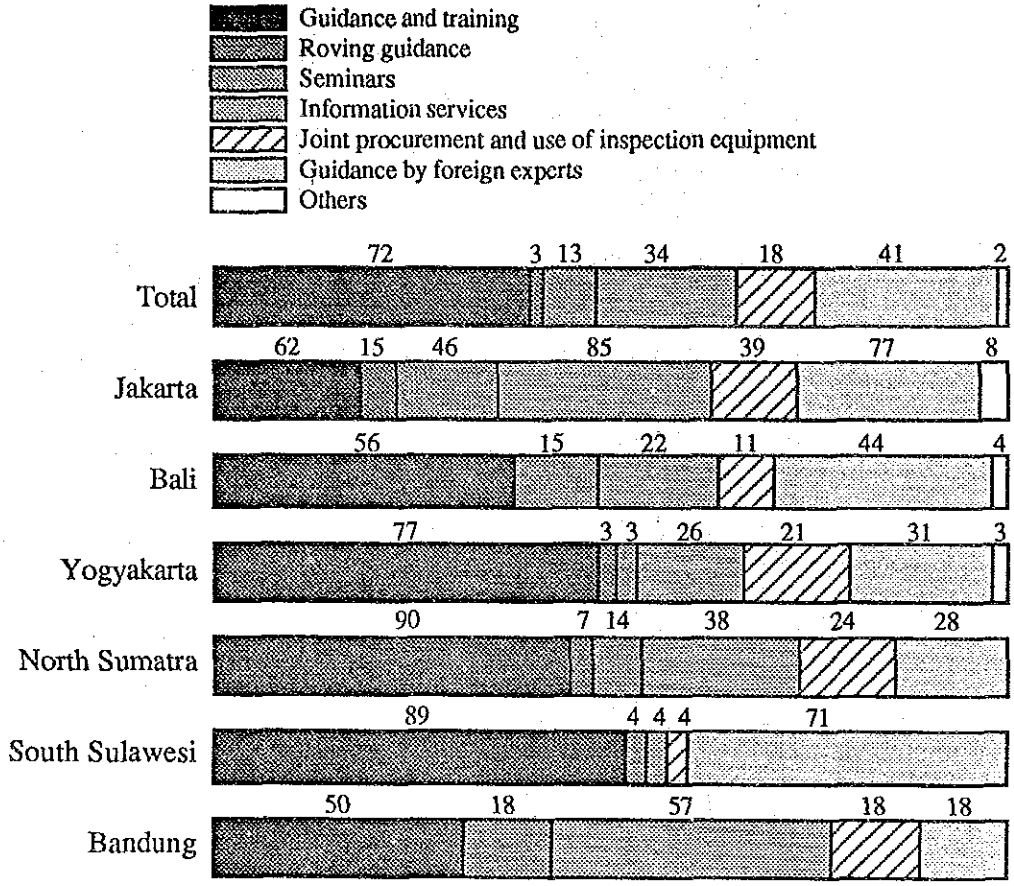


Fig. 2-5-11: Requests to Government as Seen by Region (Design)

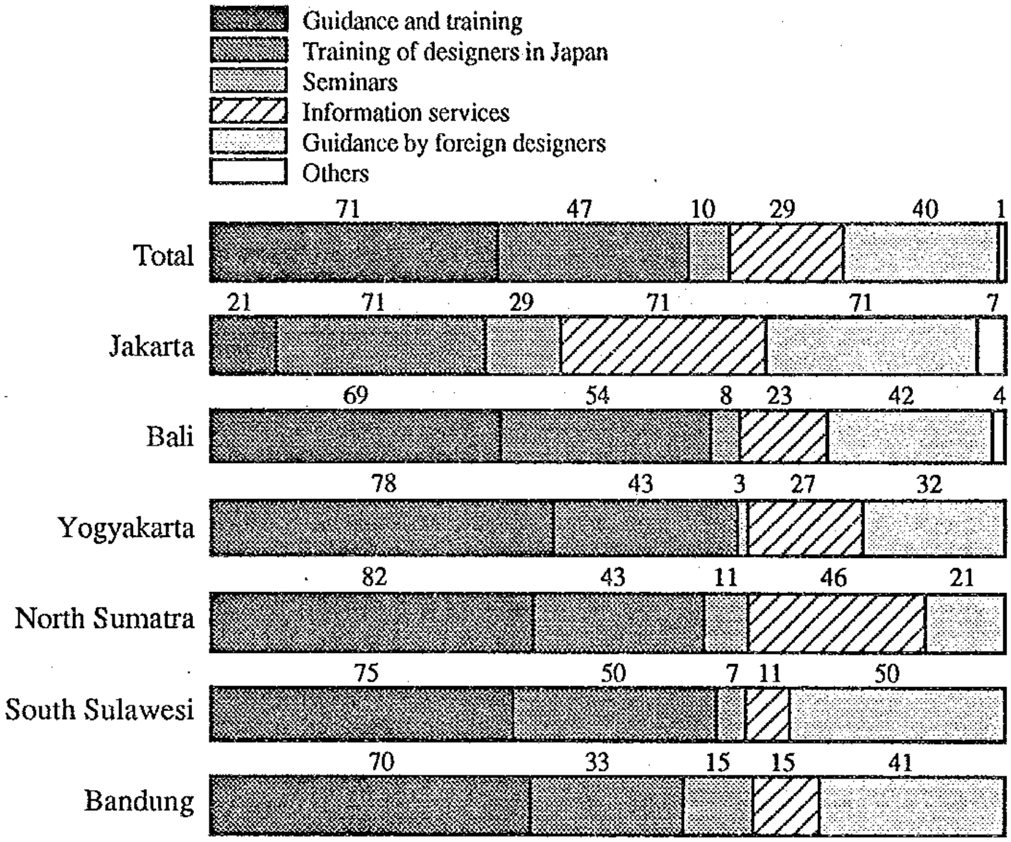
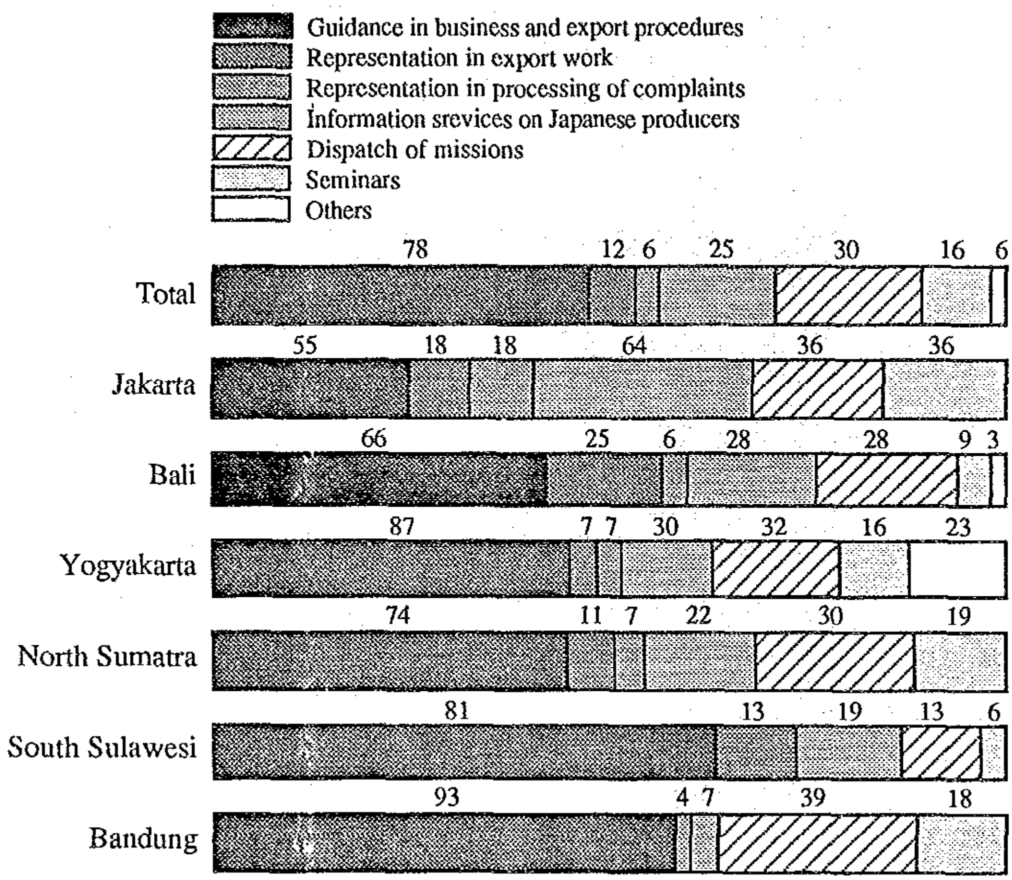


Fig. 2-5-12: Requests to Government as Seen by Region (Business)



f. Business

Again, Jakarta was different from other regions, with 63.6 percent of the companies requesting information services on Japanese producers. In other regions, the most frequent request was for training in business and export procedures, this being requested particularly frequently in Bandung, in 92.9 percent of the cases, in Yogyakarta, in 87.1 percent of the cases, and in South Sulawesi, in 81.3 percent of the cases.

The low amount of request in Jakarta (54.5 percent) and Bali (65.6 percent, 50.0 percent for all companies) were believed to have been due to the large number of companies already engaged in export and having knowledge about procedures etc.

g. *Different trends were seen from other regions in Jakarta and Bali. Jakarta is the site of* trade fairs and international exhibitions by ASEAN and the like and hosts numerous seminars, so the requests to the government have gone beyond guidance and training and are more sophisticated and diverse. Bali has a lower ratio of companies requesting anything compared with other regions because it is a worldwide tourist area and has developed on the basis of business with visiting tourists and foreign buyers.

In other regions, particularly North Sumatra and South Sulawesi, where few companies are exporting, there is a large demand for guidance and training.

Note that the most frequently requested items for each region were as follows:

Jakarta:	Overseas PR on Indonesian handicrafts
Bali:	Exhibitions
Yogyakarta:	Market information services
North Sumatra:	Guidance and training on quality control
South Sulawesi:	Guidance and training on quality control
Bandung:	Guidance on business and export procedures

[3] Request to Government as Seen by Product

a. Export promotion

The most frequent request in the case of all products was for a market information service. In particular, high rates were seen for other fashion accessories, 81.3 percent, and hand weaves and other textiles, 78.0 percent. The second most frequent request was split between exhibitions and overseas PR. (See Fig. 2-5-13.)

b. Materials

The most frequent request in the case of ceramics and wooden products was research and development and in the case of other fashion accessories was joint procurement and, equally, inspections of quality. In other traditional handicrafts, the most frequent request was for joint procurement. There are seemingly problems in cracking in wooden products. (See Fig. 2-5-14.)

c. Production

The most frequent request in the case of all products was technical guidance and training. The rate was particularly high in silverware, 87.5 percent, hand weaves and other textile handicrafts, 82.1 percent, and ceramics, 81.3 percent.

Fig. 2-5-13: Requests to Government as Seen by Product (Export Promotion)

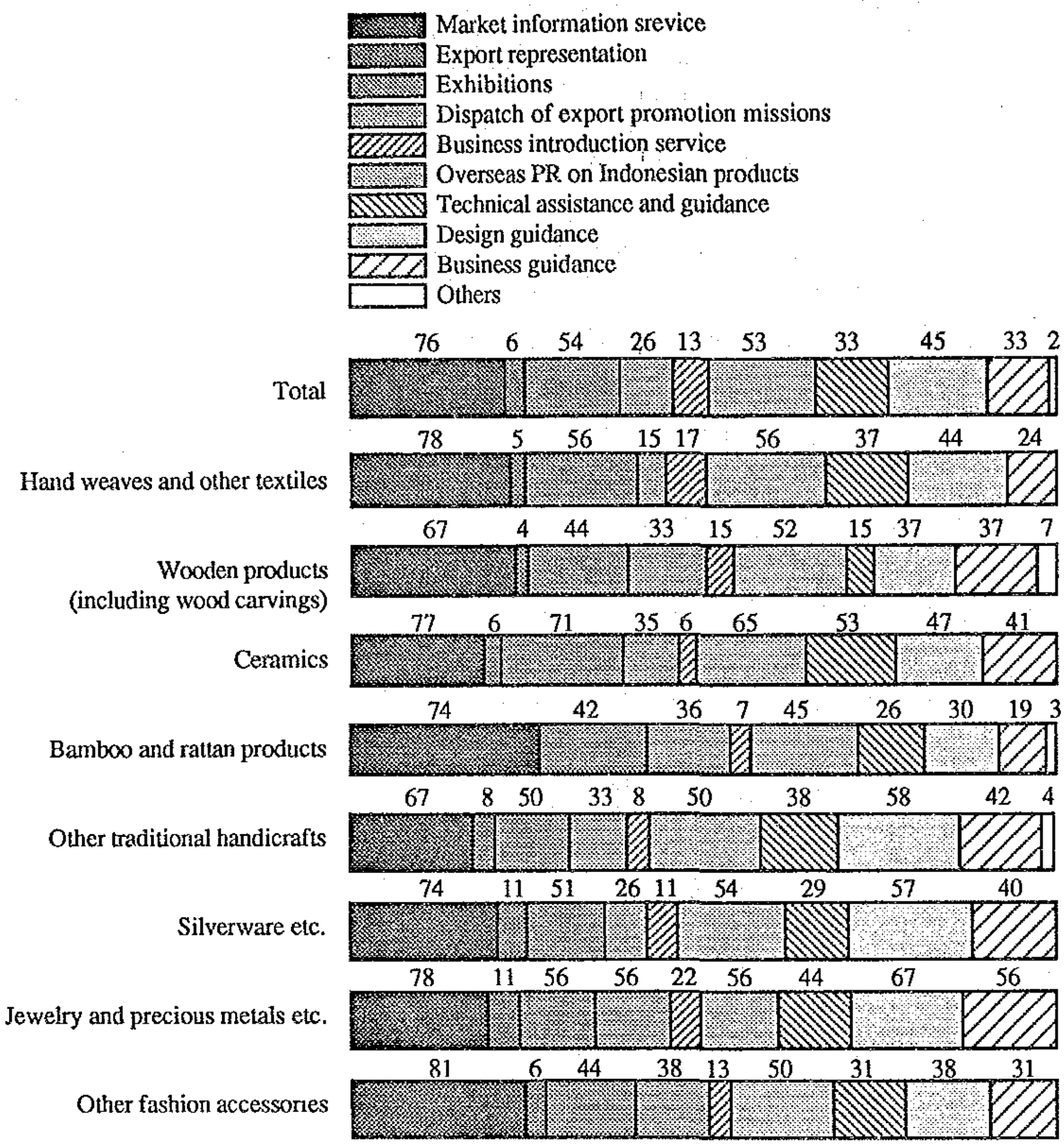
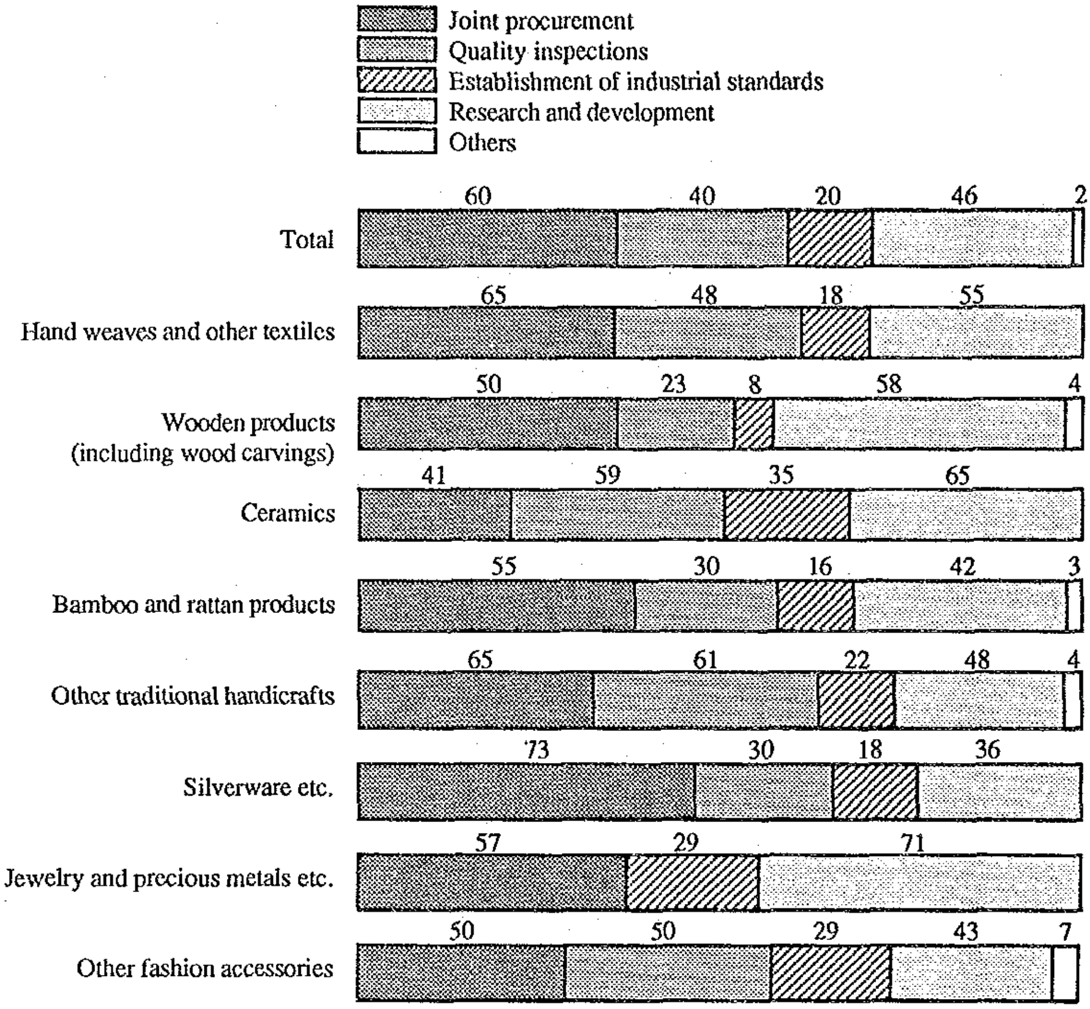


Fig. 2-5-14: Requests to Government as Seen by Product (Materials)



The second most frequent request was for guidance by foreign experts in the case of ceramics, bamboo and rattan products, other traditional handicrafts, and silverware. (See Fig. 2-5-15.)

d. Quality control

The most frequent request in the case of wooden products and other fashion accessories was for guidance by foreign experts, but other than this the most frequent request was for guidance and training. In particular, the rate was a high 87.5 percent for silverware etc. and 83.3 percent for hand weaves and other textile handicrafts. (See Fig. 2-5-16.)

e. Design

Guidance and training were most frequently mentioned in the case of hand weaves and other textile handicrafts, bamboo and rattan products, and other fashion accessories. In particular, the rate was a high 82.5 percent for hand weaves and other textile accessories. Training of designers in Japan was also requested relatively often. (See Fig. 2-5-17.)

f. Business

In the case of jewelry and precious metals, information services on Japanese producers were mentioned most often, in 85.7 percent of the cases, but in other products, the most frequent request was for guidance in business and export procedures. In particular, the rate of such requests exceeded 80 percent in hand weaves and other textile handicrafts, wooden products, ceramics, and bamboo and rattan products. (See Fig. 2-5-18.)

Fig. 2-5-15: Requests to Government by Product (Production)

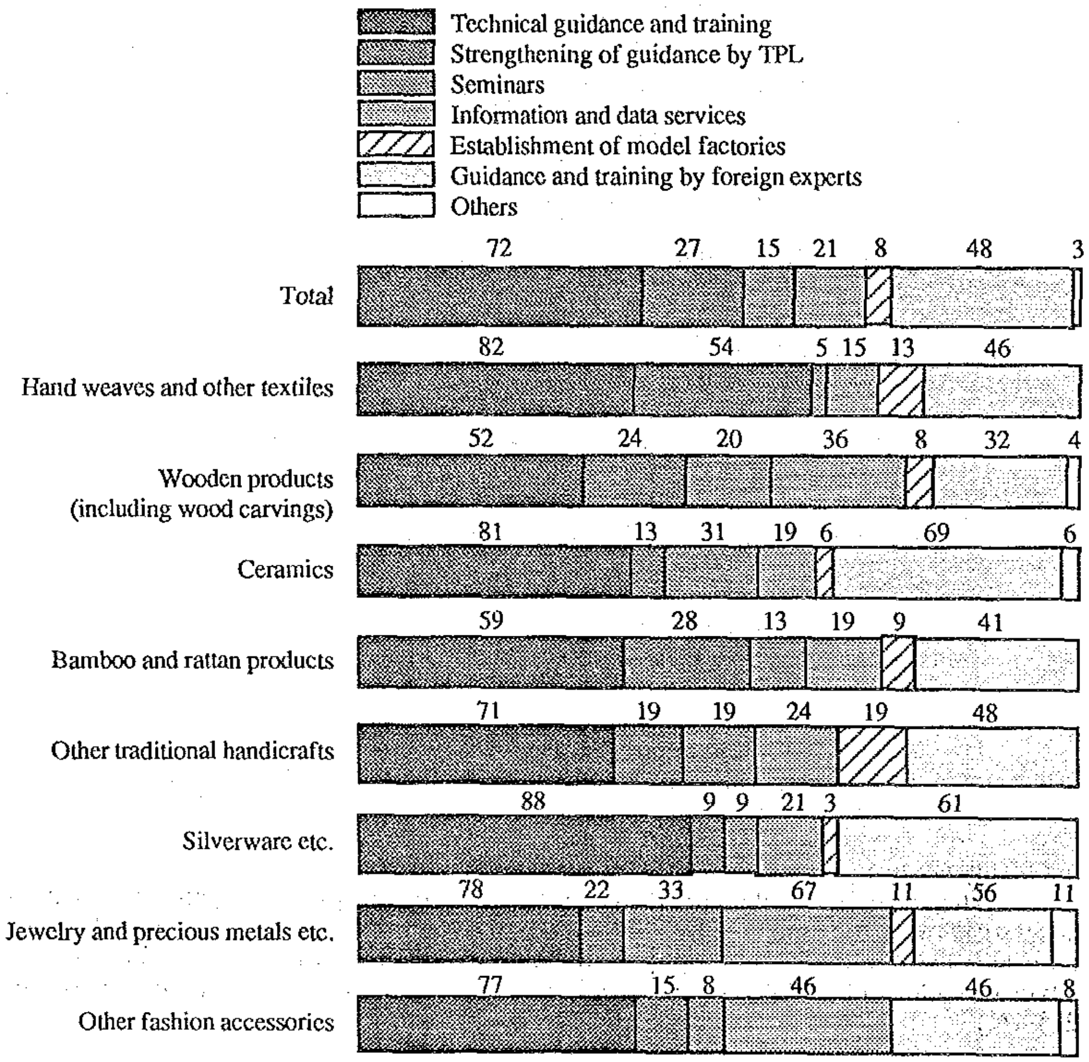
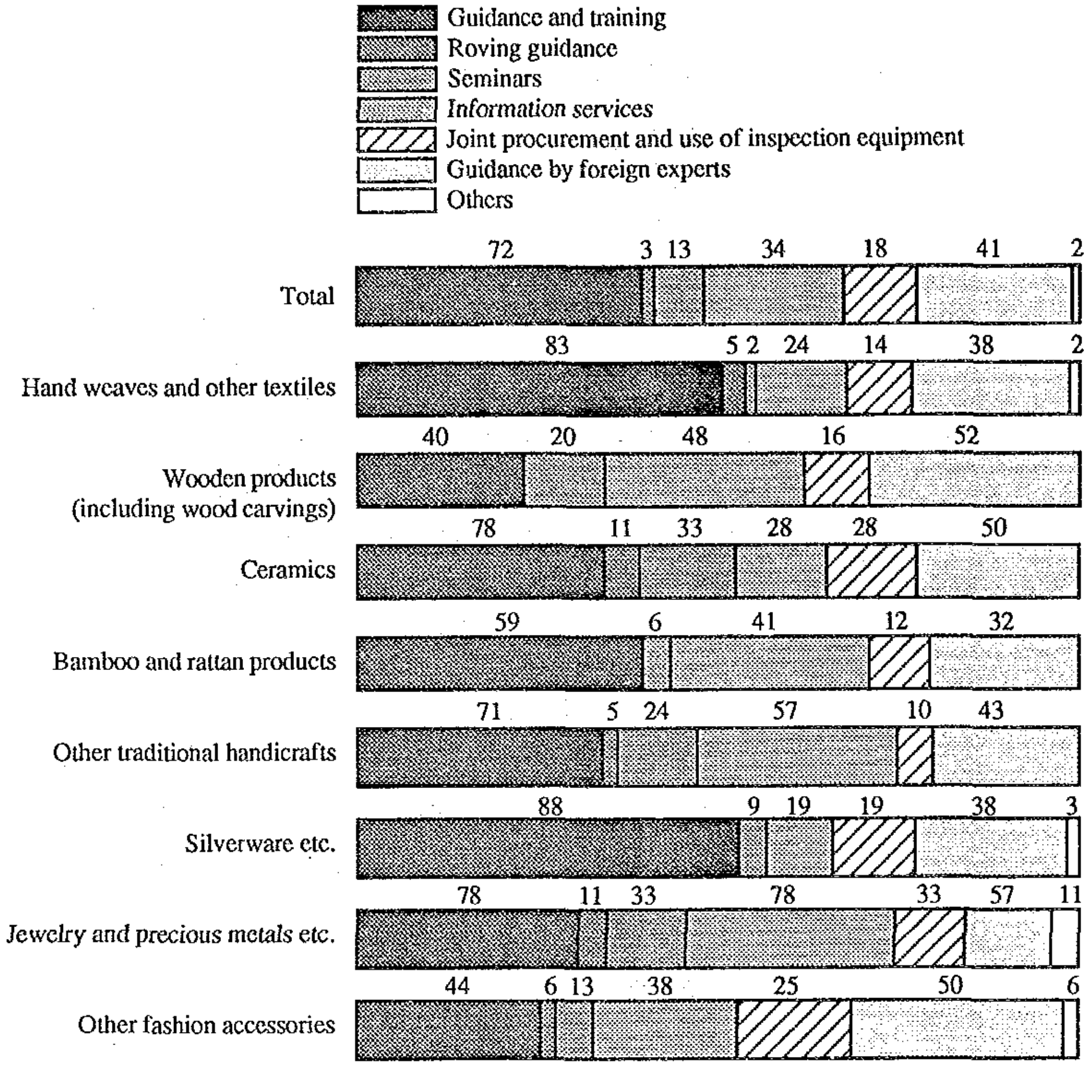


Fig. 2-5-16: Requests to Government by Product (Quality Control)



g. Substantially the same trends were shown in all products, but there were some differences for jewelry and precious metals. This is because the companies covered by the questionnaire which were producing jewelry and precious metals were mostly located in Jakarta and its environs, which differ from other regions.

Note that the items most often requested for each product were as follows:

- Hand weaves and other textile handicrafts: Guidance and training in quality control
- Wooden products: Market information and guidance in business and export procedures
- Bamboo and rattan products: Research and development into materials
- Ceramics: Market information and guidance in business and export procedures
- Other traditional handicrafts: Market information services
- Silverware etc.: Guidance and training in production technology
- Jewelry and precious metals: Exhibitions

- Other fashion accessories: Market information services and inspections of quality of materials

Fig. 2-5-17: Request to Government by Product (Design)

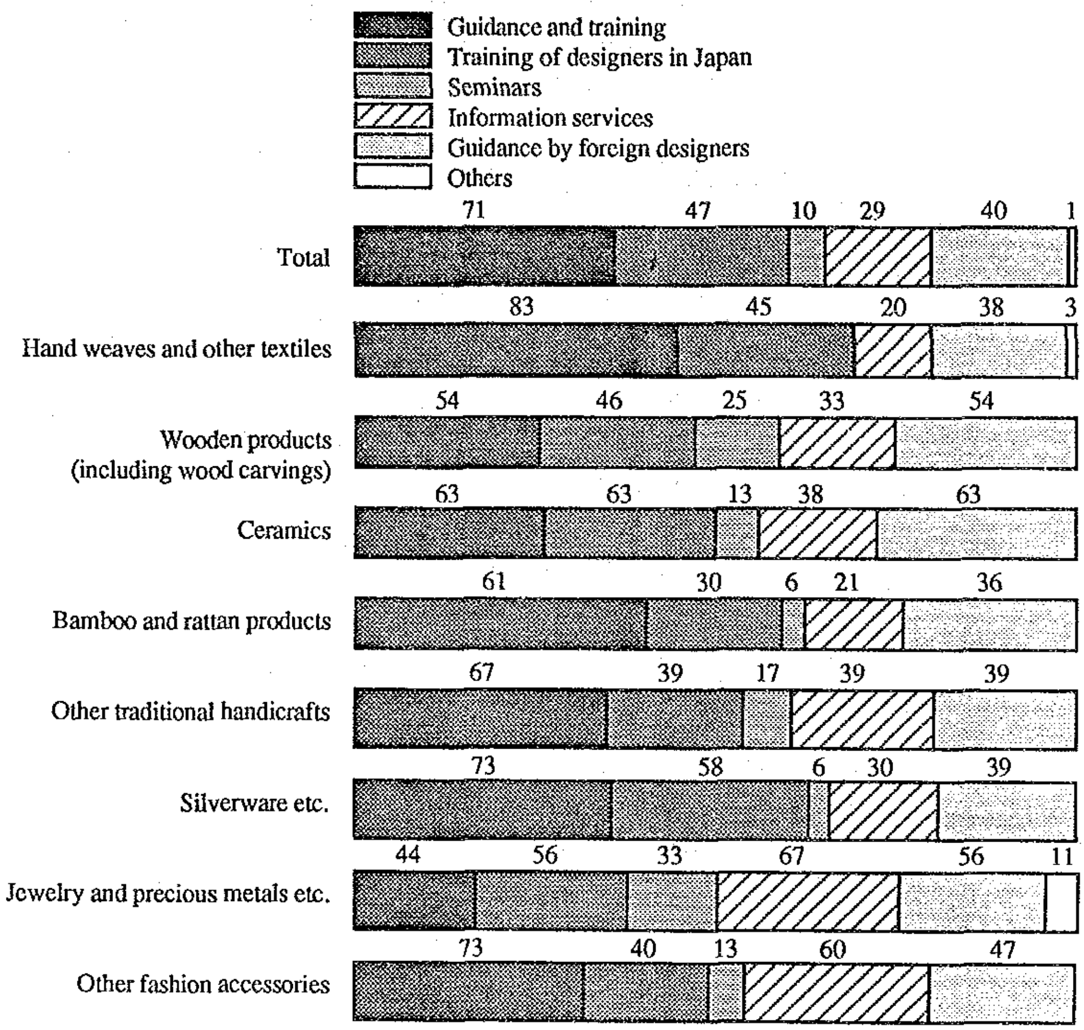
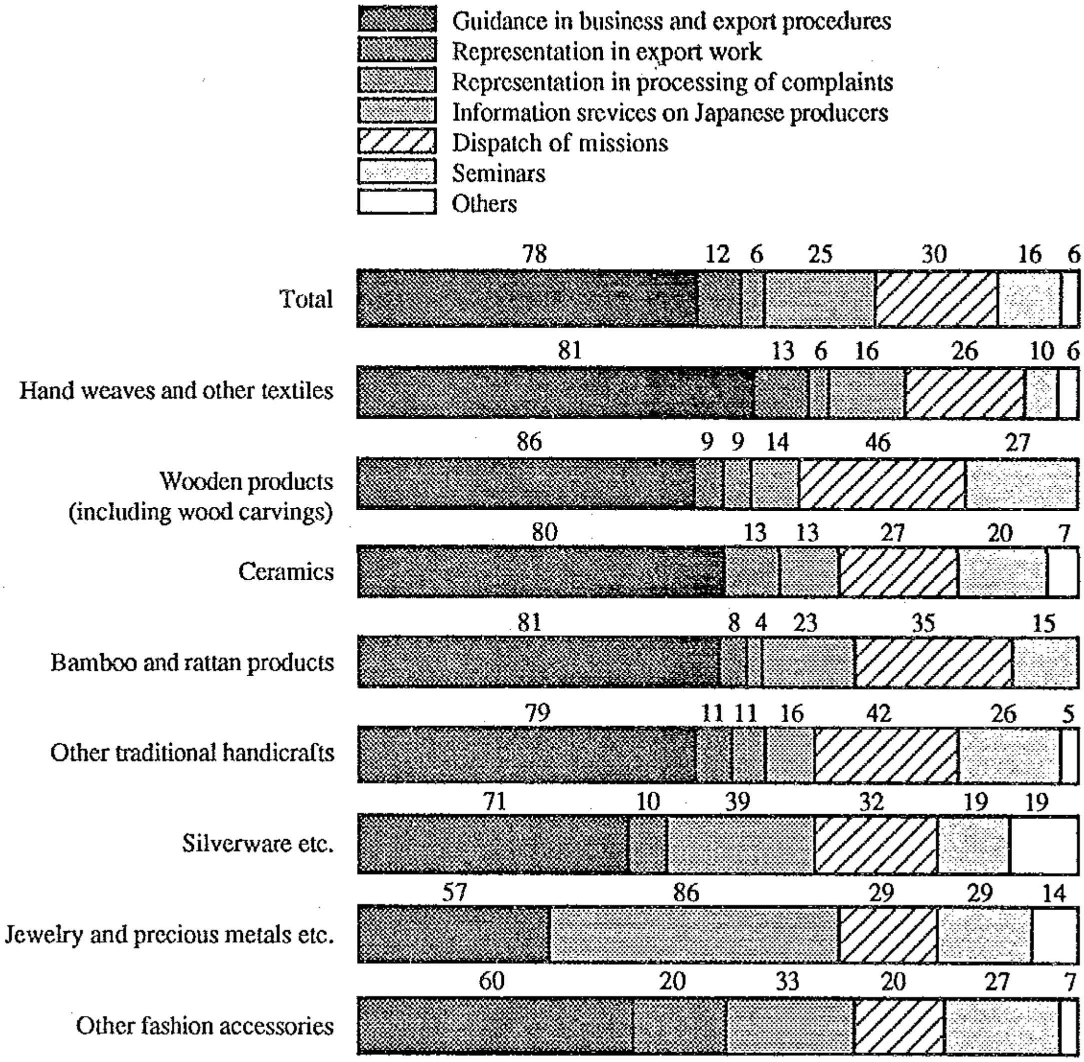


Fig. 2-5-18: Request to Government by Product (Business)



[3] Requests to Government as Seen by Company Size

The companies were classified by size, using the classification of BPS, into small size companies (with 19 or less workers), including cottage industries, medium size companies (20 to 99 workers), and large size companies and the requests to the government analyzed accordingly.

a. Exports

The most frequent request for small size companies, medium size companies, and large size companies was for market information services. The second most frequent requests differed, with the small size companies requesting business guidance and the medium size ones exhibitions,. The large size ones requested overseas PR for Indonesian handicrafts in 65.4 percent of the cases, close to the 69.2 percent for market information services. This shows the large number of large size companies already engaged in exports and taking a positive stance toward overseas PR and participation in missions (38.5 percent). On the other hand, there were still extremely few small size companies engaging in exports and these have to start by learning the procedures and practices involved. (See Fig. 2-5-19.)

Fig. 2-5-19: Requests to Government as Seen by Company Size (Export Promotion)

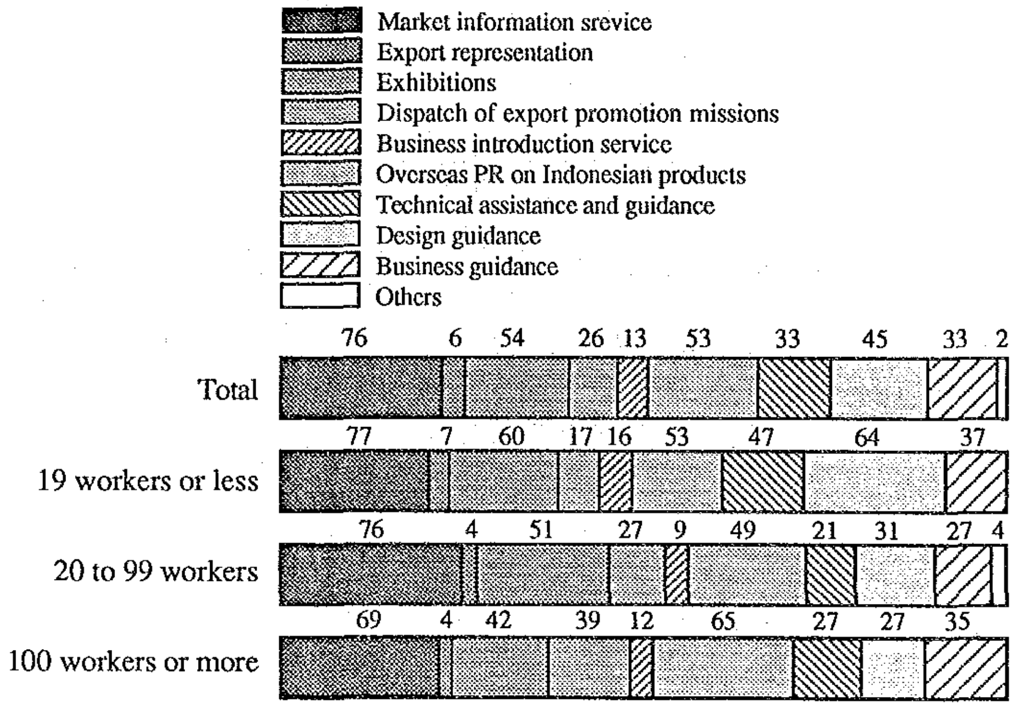


Fig. 2-5-20: Requests to Government as Seen by Company Size (Materials)

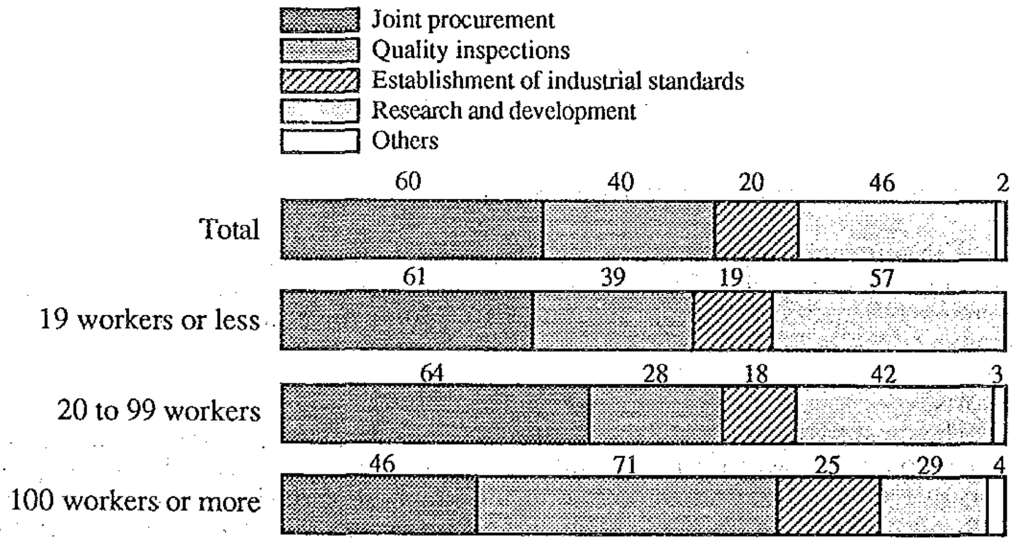
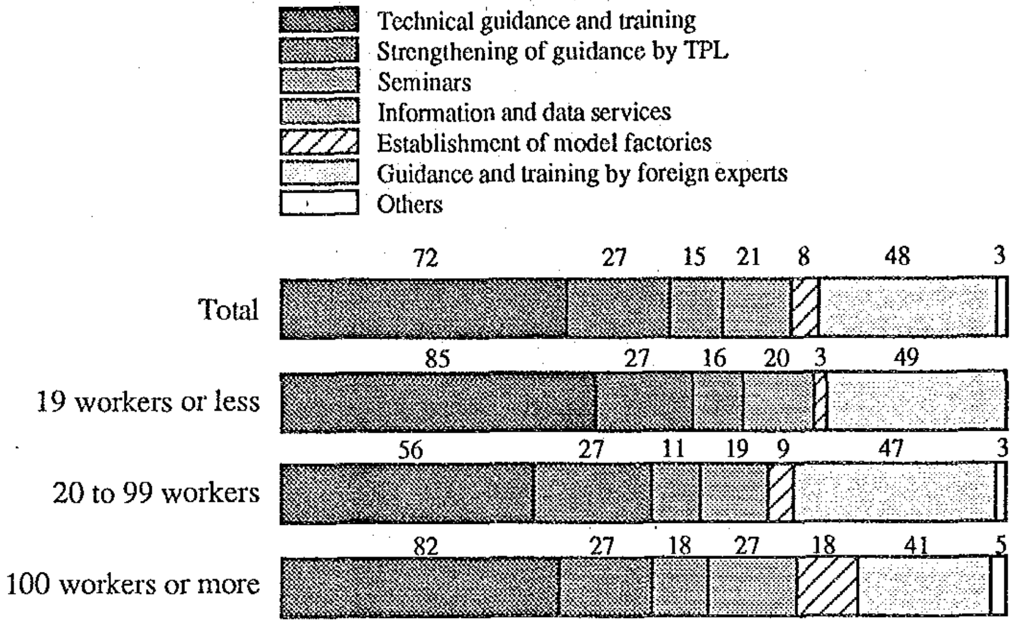


Fig. 2-5-21: Requests to Government as Seen by Company Size (Production)



b. Materials

The most frequent request by small size companies and medium size companies was for joint procurement, while the most frequent request by large size companies was for inspections of quality, in 70.8 percent of the caes. This shows that compared with the large size companies, the small and medium size ones consider procurement itself of the materials to be a problem. (See Fig. 2-5-20.)

c. Production

The most frequent request for all groups was for technical guidance and training, with the rate reaching 84.5 percent for small size companies. The second most frequent was for guidance by foreign experts, common for all groups. (See Fig. 2-5-21.)

d. Quality control

The most frequent request by small size companies, medium size companies, and large companies was for guidance and training, in particular with 87.8 percent of the small size companies requesting the same. The second most frequent in all cases was guidance by foreign experts. (See Fig. 2-5-22.)

e. Design

Guidance and training were requested most frequently by all groups of companies, in particular with 78.7 percent of the small size companies requesting the same. The second most frequent request was for training of designers in Japan, requested by 50.0 percent of the medium size companies. (See Fig. 2-5-23.)

f. Business

The most frequent request by all groups was for guidance in business and export procedures, with 80 percent or so of each group requesting the same. In the large size companies, 50.0 percent requested dispatch of missions. (See Fig. 2-5-24.)

g. No great difference was seen in the requests to the government according to company size, i.e., substantially the same trends were exhibited. However, the small size companies may be said to have very frequently requested guidance and training in all items. The medium size companies and large size companies often requested marketing related matters such as as dispatch of missions, overseas PR, and exhibitions.

The most frequent requests for each group of companies were as follows:

- Small size companies: Guidance and training in quality control
- Medium size companies: Market information services
- Large size companies: Market information services, guidance and training in production technology, and guidance in business and export procedures

Fig. 2-5-22: Requests to Government as Seen by Company Size (Quality Control)

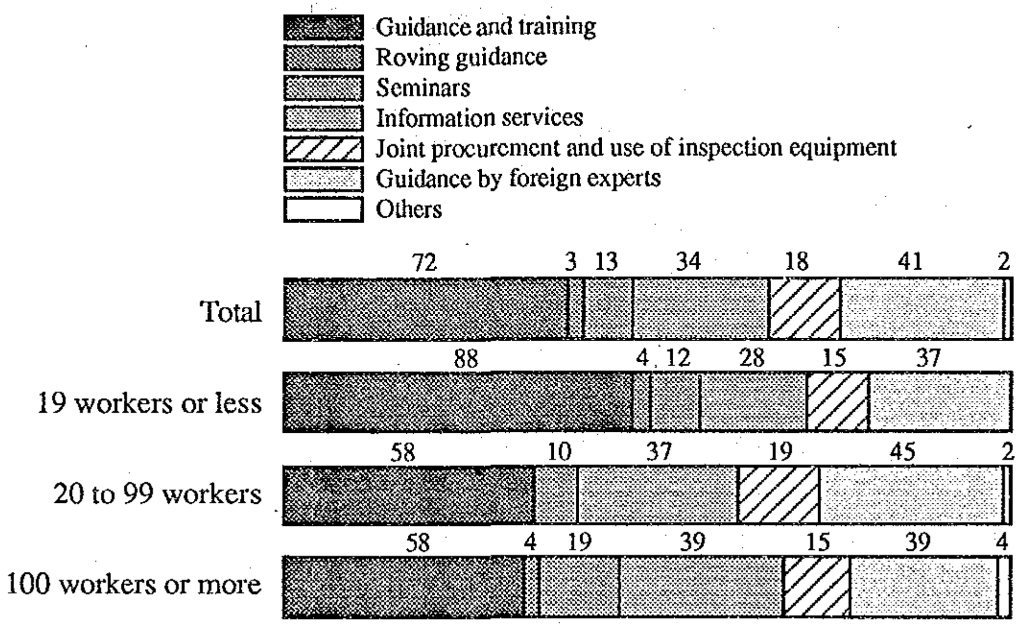


Fig. 2-5-23: Requests to Government as Seen by Company Size (Design)

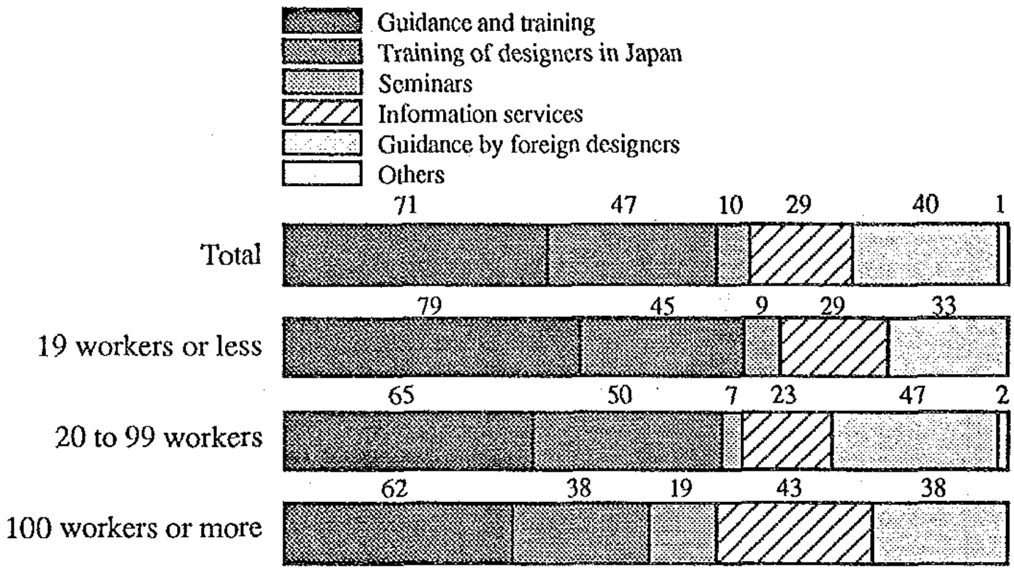


Fig. 2-5-24: Requests to Government as Seen by Company Size (Design)

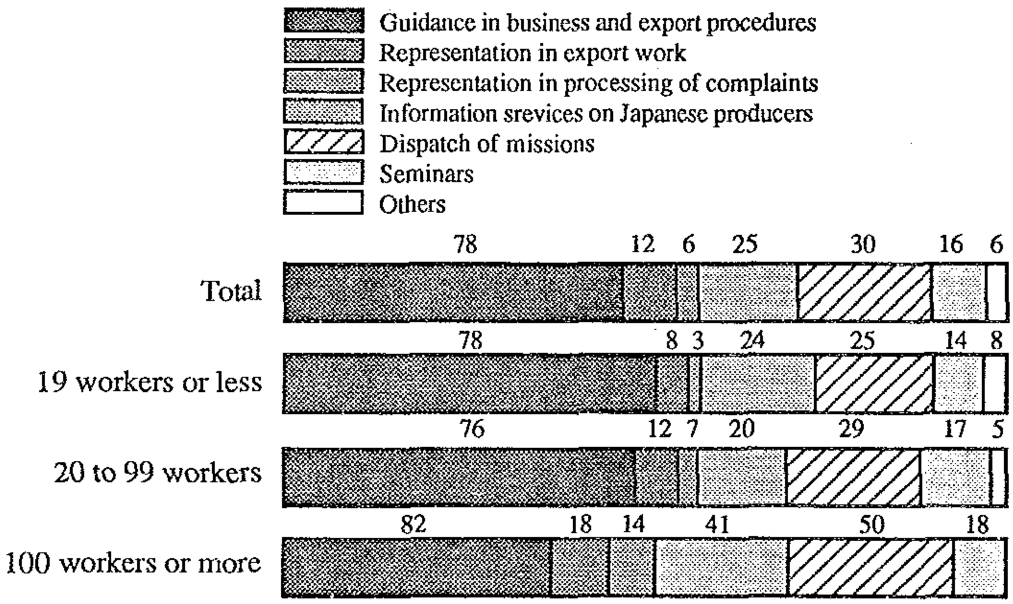


Table 2-5-4: Expectations of Government Policy and Promotion Measures

		Current Policy and Programs	Tentative Additional Programs
Export Promotion			
Market information service	127	Export expansion program (MOI), NAFED	Handicraft Development and Promotion Center (HDPC)
Holding of exhibitions	91	NAFED	Expansion and fortification of current program
Advertising of Indonesian handicrafts in overseas markets	89	NAFED	Indonesian handicraft catalogue, Regional brand, Tie-up with tourism
Design guidance	76	Productivity and improvement of quality program (MOI) JETRO, AC activities	HDPC
Business guidance	56	Productivity and improvement of quality program, Bapak Angkat system	Dispatch of experts to MA firms Indonesian export training center
Technical assistance and guidance	55	Productivity and improvement of quality program, entreprcneurshp and professionalism development program	HDPC
Dispatch of export promotion missions overseas	43	NAFED	Expansion and fortification of current programs
Inquiry service	21	NAFED	HDPC
Function as export agent	10	Bapak Angkat system	HDPC, MA firm
Others	3		
Procurement of Raw Materials			
Joint procurement of raw materials (through KOPERASI)	98		KOPINKRA
Research & development	76	Small scale industry development program, BBKB	HDPC, revitalization of BBKB
Inspection of raw materials (Provision of inspection machinery)	65	PPMB	Provision of testing equipment to KOPINKRA, UPT, Dispatch of experts
Set standards (SII)	32	Productivity and improvement of quality program	Expansion and fortification of current programs
Others	3		
Production			
Technical guidance and training	115	*Productivity and improvement of quality program, entrepreneurship and professionalism development program*	*Dispatch expert to MA firms, expansion of PTKI,* technical assistance by foreign companies
Guidance and training by foreign experts	76	UNIDO, JICA, JODC	Expansion and fortification of current programs
Intensification of guidance by TPL	43	Productivity and improvement of quality program	Training by TPL
Information, data service	34	Productivity and improvement of quality program, small scale industry development	Provision of communication equipment to KOPINKRA, UPT

		Current Policy and Programs	Tentative Additional Programs
Holding of seminars	23	Productivity and improvement of quality program	
Establishment of model factories (actual line)	13		Expansion of PTKI
Others	4		
Quality Control			
Guidance and training	118	Productivity and improvement of quality program, Bapak Angkat system	Expansion and fortification of current programs
Guidance by foreign experts	67	JODC	Expansion and fortification of current programs
Information service	55	Productivity and improvement of quality program, Bapak Angkat scheme	Provision of communication equipment to UPT, KOPINKRA
Joint procurement and use of inspection equipment	29		Provision of testing equipment to UPT, KOPINKRA
Holding of seminars	21	Productivity and improvement of quality program, PPMB	
Factory visits and guidance	5		
Others	3		
Design			
Guidance and training	113	Productivity and improvement of quality program	Bali design center, BBKB, HDPC
Designers' training in Japan	75	JICA	Expansion and fortification of current programs
Training courses by foreign designers in Japan	64		Expansion and fortification of current programs
Information service	46	Productivity and improvement of quality program	HDPC, provision of communication equipment to UPT, KOPINKRA
Holding of seminars	16	Productivity and improvement of quality program	HDPC
Others	2		
Business			
Training in business practices and export procedures	113	NAFED	HDPC, Indonesian export training center, MA firms
Dispatch of missions	44	NAFED	Expansion and fortification of current program
Information service on the Japanese market	36	NAFED	HDPC, provision of communication equipment to UPT, KOPINKRA
Holding of seminars	23	NAFED	HDPC
Function as export agent	17	Bapak Angkat system	HDPC
Dealing with claims on behalf of exporters	9		
Others	8		

Note: Base number when finding percentages was number of samples.

(4) Promotional Measures of Japan, Thailand and the Philippines

[1] Japan

<Current State>

There are said to be about 700 traditional handicrafts in Japan. Note that seen historically, while there are some crafts such as Japanese paper which derive from the 8th century, most began to be produced in the 15th to 18th centuries.

A summary is provided below on the 429 products for which the states of the industries in 1980 could be relatively well grasped.

There were 41,648 business establishments, with there being an average of 97.1 business establishments per production area. These employed 275,658 workers, for an average of 6.6 workers per business establishment, and produced 705.9 billion yen worth of goods, for an average production of 17 million yen per establishment or 2.6 million yen per worker. Seen by industry, the most business establishments were in fabrics, followed by dyed goods, lacquerware, ceramics, household buddhist alters, and buddhist implements. In terms of numbers of employees, the most were in fabrics, folllowed by dyed goods, ceramics, lacquerware, and Japanese string, yarn, embroidery, and other textile products.

Note that the explanations and data in this section are largely according to the "Traditional Handicraft Industries - Current State and Policies" (1981) and "Policies for Promotion of Traditional Craft Industries" (1990) of the Traditional Craft Industry Office, Household and Miscellaneous Goods Division, Consumer Goods Industries Bureau of the Ministry of International Trade and Industry.

The traditional craft industries account for about a 5.7 percent share of the business establishments in the small and medium size enterprises of Japan, 3.5 percent of the employees, and 0.7 percent of the production value. The traditional craft industries are characterized by a very small size of companies, with the production per worker being only one-fifth of the average for small and medium sized enterprises. In the case of the designated traditional craft industries, over 80 percent of the business establishments have three or less workers. Further, the percent of family employees is high and the percent of female workers is also high.

<Problems>

Behind the problems in Japan's traditional craft industries are, it has been pointed out, the changes in the Japanese lifestyle, employment environment, etc. due to the country's high rate of growth.

[1] Technical innovations, innovations in industrial materials, and the development of the mass media have resulted in the establishment of a mass production and mass consumption type of economic structure. Mass supply of inexpensive, standardized daily necessities has become possible.
[2] Decline of rural areas along with increasing weight of heavy machinery and chemical industries in the industrial structure. This resulted in a reduction in the supply of the materials for traditional crafts.
[3] Difficulties in obtaining wood, bamboo, stone, and clay materials due to road and harbor construction and increased use of land for residential purposes.
[4] Changes in employment environment. The movement of the labor force from the primary industries to the secondary and tertiary industries, the

increasingly higher level of education, the longer years of employment and the resultant collapse of the foundation of the "master-disciple system", and the changes in the way the young view work have made employment in the traditional craft industries with their disadvantageous employment conditions less attractive.

[5] Westernization of lifestyles and increased urbanization, which had resulted in a collapse of the old lifestyle where respect was accorded to traditional events and traditional culture.

[6] Changes in the perception of the consumer with regard to daily necessities. The spread of the idea of disposable items and the stress on design, popularity, and price have resulted in less interest in traditional crafts, which are more somber and are attractive when used for long periods.

[7] Changes in the system by which lifestyles are passed on to the next generation along with changes in the family system and the spread of nuclear families. It has become difficult to pass on traditional values to the next generation.

However, in the start of the 1970s, there was greater interest shown once again in traditional crafts. This was due to the surfacing of various problems caused by the high economic growth, such as pollulion and overcrowding of the cities, where the consumer began to reflect on mass consumption and the "use and throw away" concept and on a daily life in a machine culture. Traditional items were reevaluated and handmade products were reassessed.

The main problems facing the Japanese traditional craft industries are, on the demand side, the reduction in consumer demand and, on the production side, the difficulties in finding successors and difficulties in securing the required materials.

The problems and countermeasures for specific industries are summarized in Table 2-5-6.

<Promotional measures>

a) History of establishment

1973
- Surveys on state on individual craft industries
- Establishment of Craft Industry Promotion Committee in MITI and decision on direction and method of approaching measures for promotion of craft industries
- Submission of Law on Promotion of Traditional Craft Industries at Diet

1974
- Passing of law at Diet and promulgation and enforcement as Law No. 57

b) The Law on Promotion of Traditional Craft Industries (hereinafter referred to as the Traditional Industries Law) is summarized below:

LAW REGARDING PROMOTION OF TRADITIONAL CRAFT INDUSTRIES

May 25, 1974
Law No. 57

(Object)

Article 1. This law has as its object, in view of the fact that traditional crafts produced using traditional techniques or skills etc. primarily in certain regions have been passed down in the lifestyles of the public and there is a foundation for continued existence of the same in the future as well, the promotion of the traditional craft industries and thereby the imparting of a fullness and richness to the lives of the people, contributing to the development of the local economies, and contributing thus to the sound development of the national economy.

(Designation of Traditional Crafts Etc.)

Article 2. The Minister of International Trade and Industry shall solicit the opinions of the Traditional Craft Industry Council and designate as traditional crafts those crafts which fall under the following:

1) Crafts used for daily life.
2) Crafts where the main portions of the manufacturing process are done by hand.
3) Crafts produced using traditional techniques or skills.
4) Crafts produced using as raw materials the main materials traditionally used.
5) Crafts which a significant number of people in a certain region produce or engage in the production of.

2. The designation of traditional crafts under the provision of the preceding paragraph shall be made by determining the traditional technology and skills relating to the production of said traditional crafts, the materials used traditionally, and the regions where said traditional crafts are produced.

3. Cooperative business associations, federations of cooperative associations, commercial and industrial associations, and other juridicial persons designated by Cabinet Order which have as direct or indirect members entrepreneurs producing crafts may apply to the Minister of International Trade and Industry through the prefectural level governors (or in the case where the entire region in which said craft is produced belongs to the area of a city designated under Article 252-19, paragraph 1 of the Local Autonomy Law (Law No. 67 of 1947) (hereinafter referred to as "designated city" in paragraph 1 of the next article), the mayor of the said designated city) for designation of the craft as a traditional craft.

4. The Minister of International Trade and Industry shall, when designating a traditional craft, make a public announcement to that effect.

5. The Minister of International Trade and Industry shall, when a traditional craft no longer meets one of the conditions mentioned in paragraph 1, may cancel that designation after receiving the opinion of the Traditional Craft Industry Council.

6. The provision of paragraph 4 applies mutatis mutandis to the cancellation of the designation of traditional crafts.

(Preparation of Plans for Promotion Etc.)

Article 3. Cooperative business associations, federations of cooperative associations, commercial and industrial associations, and other juridicial persons designated by Cabinet Order which have as direct or indirect members entrepreneurs producing traditional crafts (hereinafter referred to as "cooperative associations") may prepare plans for promotion of traditional craft industries (hereinafter referred to as "promotional plans") and submit the same to the Minister of International Trade and Industry through the prefectural level governors (or in the case where the entire region in which said craft is produced which is covered by said promotional plan belongs to the area of a designated city, the mayor of the said designated city, same below) for receiving certification that said promotional plan is suitable.

2. The prefectural level governors shall, when receiving the promotional plans of the previous paragraph, study the same and forward them on to the Minister of International Trade and Industry along with their opinions.

3. In addition to the provision of the above two paragraphs, matters necessary for the certification of promotional plans and cancellation of the same shall be determined by an Ordinance of the Ministry of International Trade and Industry.

(Contents of Promotional Plans)

Article 4. The promotional plans shall set forth the matters mentioned in the following items:

1) Matters relating to the securing and training of successors of workers and the training of workers.
2) Matters relating to the succession and improvement of technology and skills and the maintenance and improvement of quality.
3) Matters relating to the securing of materials and research on materials.
4) Matters relating to the development of demand.
5) Matters relating to the workplace and other improvements of the working environment.
6) Matters relating to the joint purchase of materials, the joint purchase of products, and other joint business activities.
7) Matters relating to the labeling of quality, provision of suitable information to the consumer, etc.
8) Matters relating to the welfare of elderly workers, workers skilled in technology, and other workers.
9) Other matters necessary for the promotion of the traditional craft industries.

(Assistance in Expenses Required for Implementation of Certified Promotional Plans)

Article 5. The government and local public bodies may provide assistance for part of the expenses necessary for the implementation of activities to cooperative associations etc. engaged in activities based on promotional plans certified under paragraph 1 of Article 3 (hereinafter referred to as "certified promotional plans").

(Ensuring of Funds Required for Implementation of Certified Promotional Plans)

Article 6. The government and local public bodies shall work to arrange to ensure and facilitate the funding necessary for implementation of activities under the certified promotional plans.

(Tax Measures)

Article 7. The government and local public bodies shall devise the necessary tax measures for the smooth promotion of activities under the certified promotional plans.

(Labeling)

Article 8. Cooperative associations etc. may label traditional crafts produced by entrepreneurs producing traditional crafts, which are direct or indirect members of the same, as being designated as traditional crafts.

(Guidance and Assistance)

Article 9. The Minister of International Trade and Industry may provide the necessary guidance and assistance to entrepreneurs producing traditional crafts for the promotion of traditional craft industries.

(Collection of Reports)

Article 10. The Minister of International Trade and Industry or the prefectural level governors may seek reports on the state of implementation of activities from cooperative associations etc. engaged in activities under certified promotional plans.

2. The Minister of International Trade and Industry or the prefectural level governors may, when deeming it particularly necessary, seek the necessary reports from entrepreneurs producing traditional crafts, which are direct or indirect members of cooperative associations etc. engaged in activities under certified promotional plans.

(Traditional Craft Industry Council)

Article 11. A Traditional Craft Industry Council (hereinafter referred to as the "Council" in this article) shall be established as an auxiliary organization of the Ministry of International Trade and Industry.

2. The Council shall investigate and deliberate on matters falling under its authority under the law and further shall investigate and deliberate on important matters relating to traditional craft industries in response to inquiries by the Minister of International Trade and Industry.

3. The Council may state its opinions to the Minister of International Trade and Industry on matters prescribed in the preceding paragraph.

4. The Council shall be comprised of within 25 members.

5. The members shall be appointed by the Minister of International Trade and Industry from among persons with knowledge and experience on the traditional craft industries.

6. The members shall serve terms of two years.

7. The members shall be nonstanding members.

8. Necessary matters relating to the organization and operation of the Council other than those designated in paragraph 4 to the preceding paragraph shall be determined by Cabinet Order.

(Establishment of Traditional Craft Industry Promotion Association)

Article 12. Cooperative associations etc. may establish a juridicial person under the provisions of Article 34 of the Civil Code (Law No. 89 of 18**) on a national level, known as the Traditional Craft Industry Promotion Association (hereinafter referred to as the "Association"), with the purpose of contributing to the promotion of traditional craft industries.

(Activities of Association)

Article 13. The Association shall engage in the following activities for the achievement of its object:

1) Investigation, research, and guidance in improvement and rationalization of management in activities for the production of traditional crafts and other matters for sound management of those activities.
2) Sponsoring of exhibitions and other means for development of demand.
3) Provision of information to members on the state of demand for traditional crafts, manufacturing techniques and skills, raw materials, etc.
4) Preparation of promotional plans and guidance and advice on implementation of the same.
5) Research on improvement of raw materials, production processes, quality, etc. of traditional crafts.
6) Guidance and advice on labeling of quality of traditional crafts.
7) Collection of information on traditional crafts and investigations on same.
8) Other activities necessary for achievement of the object of the Association.

(Restrictions on Use of Name)

Article 14. Persons not affiliated with the Association may not use the name of the Traditional Craft Industry Promotion Association.

(Subsidies to Association)

Article 15. The government and local public bodies may subsidize the Association for part of the expenses necessary for the activities of Article 13.

(Penal Provisions)

Article 16. Parties not providing reports under paragraph 1 or paragraph 2 of Article 10 or providing false reports shall be fined up to 30,000 yen.

2. When the representative of a juridicial person or an agent, servant, or other employee of a juridicial person or natural person performs an act in violation of the preceding paragraph in the business of the juridicial person or natural person, the person committing the act shall be punished and juridicial person or natural person shall be served with the same punishment.

Article 17. Parties violating the provisions of Article 14 shall be charged up to 10,000 yen.

Additional Provisions

(Date of Enforcement)

1. This law shall be enforced from the date of its promulgation.

(Transitional Measures)

2. Parties using the name "Traditional Craft Industry Promotion Association" in their names as of the enforcement of this law shall not be subject to the provisions of Article 14 for six months from the date of enforcement of this law.

(Partial Amendment of Law Establishing the Ministry of International Trade and Industry)

3. Part of the Law Establishing the Ministry of International Trade and Industry (Law No. 275 of 1952 is amended as follows:

The following is added after the item of Textile Industry Council in the table of paragraph 1 of Article 25:

Traditional Craft Industry Council: Shall investigate and deliberate on important matters relating to the traditional craft industries.

c) Summary of promotion measures

The promotion measures for the traditional handicraft industries are as shown in 2-5-26.

- The aid for training of successors is aid given to programs for training successors run by cooperative associations etc. under promotional plans. The amount of the aid is one-half the renumeration given to the training instructors and one-third the various costs for training materials etc.
- The aid for opening up new demand and other programs is aid to cover necessary expenses for [1] recording of traditional skills and techniques, [2] surveys and studies for securing materials, and [3] exhibitions. The rate of aid is one-half of these expenses.

- Aid for preservation and training of techniques
  This is aid for the construction of traditional industry halls by local public bodies and public welfare companies and is provided in fixed sums. Note that specific examples of promotional programs are shown in Table 2-5-5.
- Aid to managers of associations for the promotion of traditional craft industries

Financing

- System of loans for promotion of traditional craft industries
  This system is offered by the People's Finance Corporation and the Small Business Finance Corporation and provides loans for plant and equipment. The interest rates are preferential or normal and the loan terms are up to 10 years for plant and equipment (with grace period of up to two years) and up to 5 years for operating funds (wiith grace period of up to one year).
- System of loans through Japan Small Business Corporation
  a. General programs for upgrading of level and programs for structural improvements and other ways of upgrading level
     Loans for joint facilities at interest rate of 2.7 percent per annum
  b. Specific programs for upgrading and programs for structural improvements and other ways of upgrading level
     Loans for programs for joint use of factories and programs for joint prevention of pollution at no interest.

Taxes

- System of reserves for promotion of traditional craft industries
  When cooperative associations obtain funds necessary for implementation of projects through dues of members etc., an amount corresponding to the total dues may be accumulated as reserves of the cooperative association etc. and entered as losses.
- Traditional Craft Industry Council
  This council is comprised of 25 members appointed by the Minister of International Trade and Industry. It has four subcommittees - a designation subcommittee, employee subcommittee, materials subcommittee, and distribution subcommittee.
- Measures of local public bodies
  The local public bodies independently give awards to parties making great contributions to the field, allocate training funds, provide long term, low interest loans for plant and equipment, promote collective activities, develop products, and engage in testing and research.
- Activities of Trade Craft Industry Promotion Association

Table 2-5-5: Specific Examples of Promotional Programs

Programs	Content of programs
[1] Securing and training of successors	Training
[2] Succession and improvement of techniques and skills	Technical training, sponsoring of exhibitions of new works, roving guidance, collection of historical documents and publication of same, preparation of slides on preservation of skills, design training groups, urchases of works
[3] Securing and studies on materials	Raising and management of seedlings, research into material properties and alternative materials, surveys on state of reserves, surveys of soil quality, testing and analysis
[4] Opening up of demand	Exhibitions, product fairs, concours, market surveys, new product development, advertising and PR
[5] Improvement of work environment	Construction and augmentation of joint work places, establishment of personal work environments, construction of warehouses and industrial estates
[6] Joint activities	Joint purchases of materials and joint sales of products
[7] Labeling of quality and measures for consumers	Display of traditional mark for traditional handicrafts, PR, and preparation of pamphlets
[8] Welfare and benefits	Recreation, mutual aid and relief, group club activities
[9] Others	Awards for merit, issuance of journals, research into pollution prevention, construction of halls, installation of equipment and apparatus

Organization

The association is organized as shown in Fig. 2-5-25.

Financial foundation

The association receives aid from the country and local public bodies under the Traditional Craft Law and receives private donations and has earnings from its programs. Government subsidies account for about 70 percent of its budget.

Activities

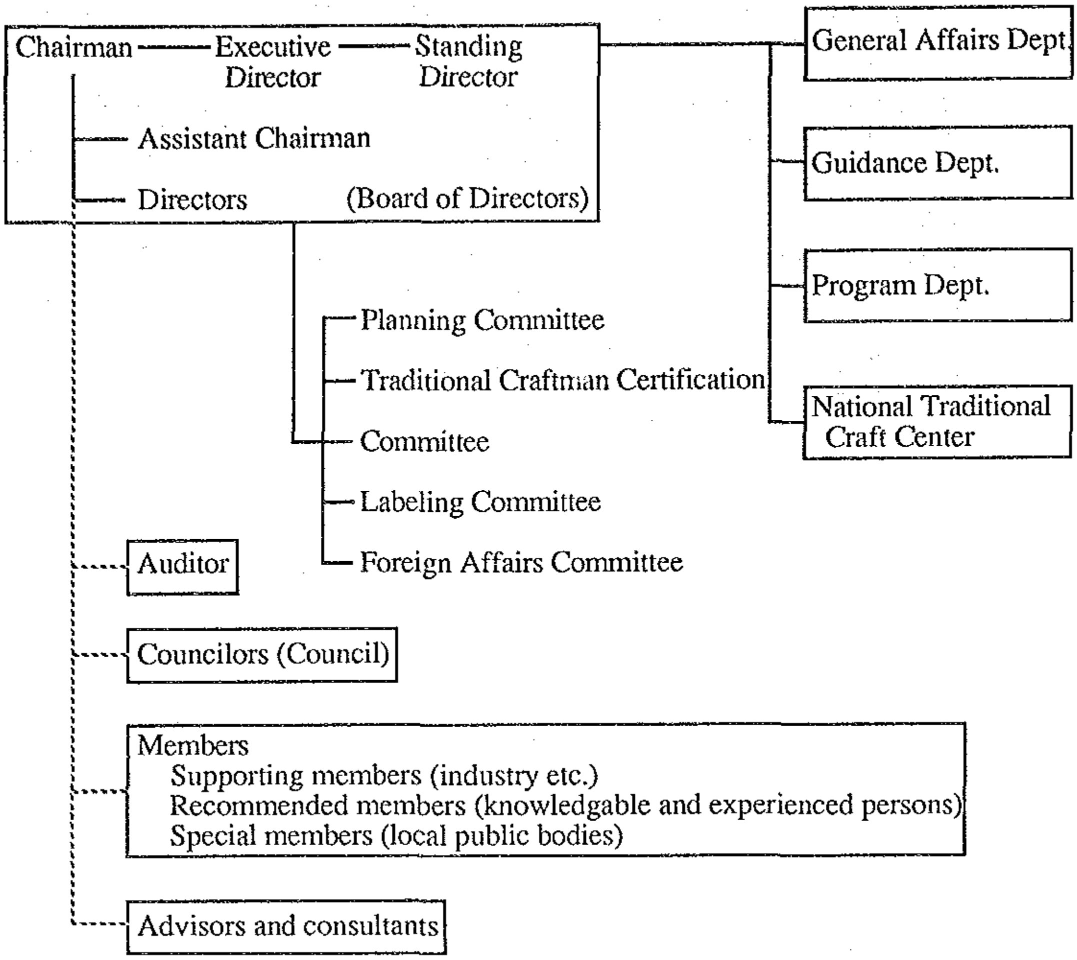
The work of the association is set forth in Article 13 of the Traditional Craft Law. The specific activities are as follows:

- Operation of National Traditional Craft Center
  Individual craft exhibitions, consumer consultations, collection and public display of documents, showing of videos, production classes, organization of supporters (2,300) etc.
- Program of dissemination
  Preparation and distribution of pamphlets, production of PR films, etc.
- Certification of qualification and award system
  Traditional craftsmen certification program: Selectionof "traditional craftsmen" by testing from persons with over 20 years experience and with superior traditional techniques and skills.

Program of awards for merit

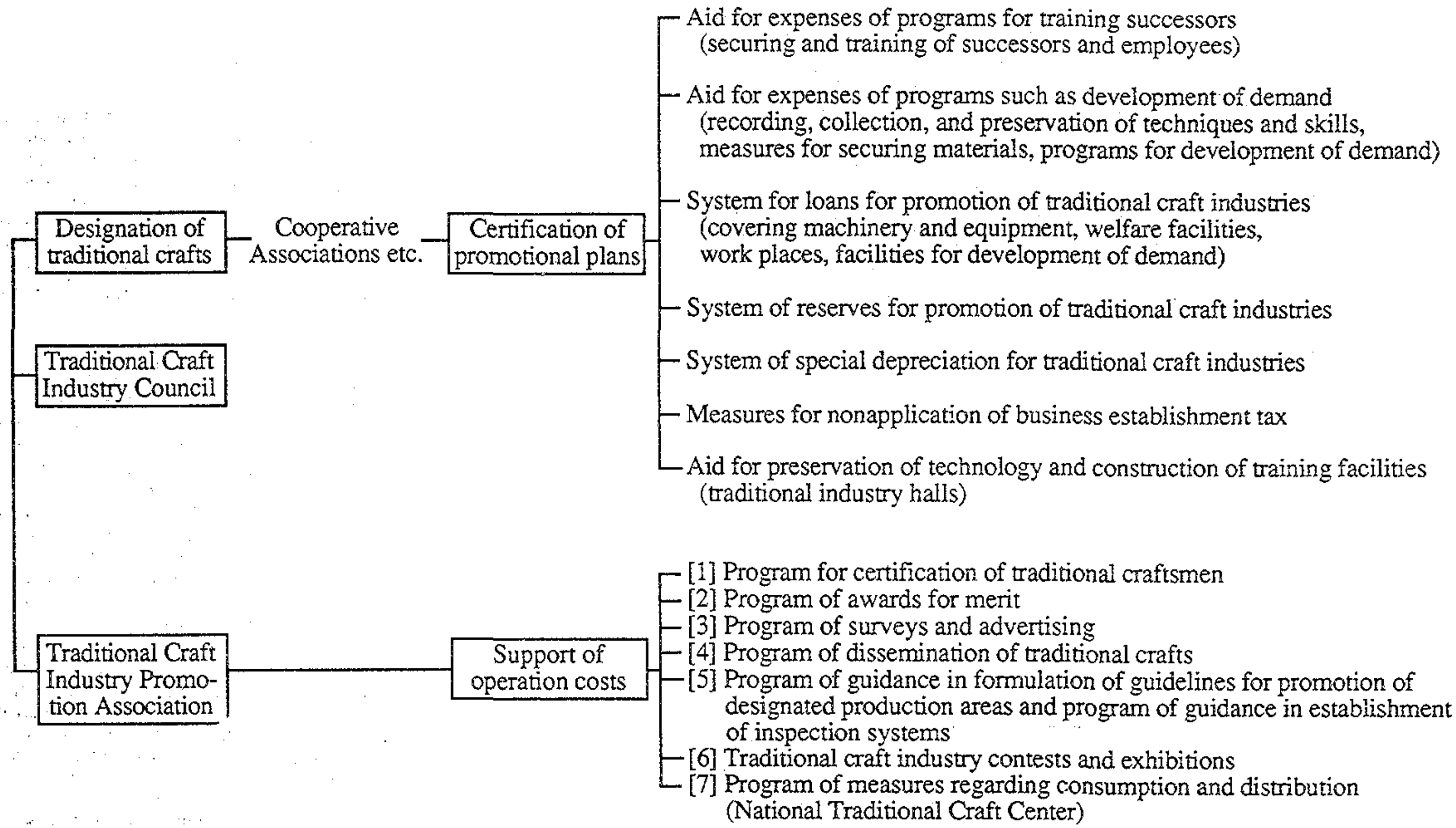
- Dissemination of traditional mark
  Application of standard mark of traditional crafts for traditional products passing inspection.
- Guidance
  Guidance in formulation of promotional plans, training, guidance in inspection, preparation and publication of documents (collection of regulations related to Traditional Craft Law, training texts, dictionaries of traditional crafts, etc.)
- Surveys
  Field surveys of production areas of traditional crafts in the country (with the results to be put together and published in a book on national traditional crafts), surveys of measures for promotion of traditional craft industries of local public bodies, surveys of image held by consumers on traditional crafts, and surveys on employment of handicapped in traditional craft industries.

Fig. 2-5-25: Organization of Association



Source: "Traditional Handicraft Industries — Current State and Policies" (1981), the Traditional Craft Industry Office, Household and Miscellaneous Goods Division, Consumer Goods Industries Bureau of the Ministry of International Trade and Industry.

Fig. 2-5-26: Measures for Promotion of Traditional Craft Industries



Source: "Traditional Handicrafts Industries — Current State and Policies" (1981), p118, Traditional Craft Industry Office, Household and Miscellaneous Goods Section, Consumer Goods Industries Bureau of the Ministry of International Trade and Industry.

Table 2-5-6: Problems and Countermeasures of Japanese Handicraft Industry

Problems	Causes	Countermeasures
Kyoto Kyoyuzen dyed silk [1] System of production by division of labor: Existence of large numbers of cottage industries - weakening of business foundation and overcompetition among businesses, longer processing times, difficulty in QC [2] Differences among business establishments Concentration of orders to larger businesses [3] Terms of trade Consignment processing from wholesalers: Different from market trends a. Method of setting processing fees: In many cases, back calculation from higher price. Evaluation of technology is unclear. b. Premodern business practices: Rebates, discounts for interest [4] Design and planning functions [5] Training of technicians: 10 years required [6] Related processes Unstable orders, low processing rates, long hours of labor, ageing of technicians, entry of in-house unskilled labor, pollution [7] Demand trends		[1] Improvement of dyeing technology [2] Improvement of market research, design, and product development functions [3] Augmentation of training system
Saga Prefecture Imari and Arita Chinaware [1] Weak sales abilities [2] Lack of successors and technicians [3] Low productivity and low wages [4] Weak financial abilities [5] Slowness in obtaining grasp of figures and lack of awareness as to management [6] Rising expenses and falling prices for products [7] Overcompetition		Production [1] Training and strengthening of successors and technicians [2] Research into production technology [3] Improvement of labor productivity and improvement of technology for higher value added production [4] Establish of higher efficiency and high wage system [5] Production meeting market needs [6] Ensurement of stable sources of materials Distribution [1] Strengthening of sales capabilities [2] Growing differences among companies [3] Speeding up and rationalizing trade distribution and physical distribution

Problems	Causes	Countermeasures
		[4] Establishment of markets and sales centers [5] Intenser competition with same businessses in other industries Management [1] Rationalization and mechanization of business operations [2] Calculation of prime costs and grasping of state of operations [3] Occupations and family businesses -> companies [4] Wages on a par with the rest of society and a bright workplace
Nanbu Tekki Ironware a. Small scale firing type industry [1] Ensurement of employees, including successor [2] Small size of factories, ageing of equipment, poor working conditions [3] Delays in delivery and inability of mass production [4] Pileup of orders and possibility of laxity in technology b. Unfired type companies [1] Sluggish prices and intenser competition [2] Decline in operating rates [3] Soaring personnel expenses [4] Weakening of middle management and internal system	• Traditional handicraft industry has become drawn into market mechanism • No great difference in price between hand crafted products and mass producible products • Poor work environment • Low wages • 10 years taken being worker becomes fully skilled	[1] Differentiation of products of production areas Use of traditional handicraft mark etc. [2] Improvement of technology Standardization of production processes Implementation of inspection program (checking of products) [3] Shortening of time for learning technology Training program [4] Motivating young [5] Improvement of work conditions and tieup with tourism [6] Establishment of internal system [7] Product development Projects of associations [1] Consignment sales [2] Joint purchasing of materials [3] Joint factories (for processes difficult for one party to handle)
Akita Kaba Zaiku		[1] Strengthening of approach as overall production area Sales to other regions and exports Exhibitions, etc. [2] Training of successors [3] Improvement of work environment Establishment of groups of studios
Yamagata Castings [1] Deterioration of business environment	• Change from days where anything produced could be sold to	[1] Opening up of new fields Accurate grasp of demand needs and product development

Problems	Causes	Countermeasures
	days where one has to make products which will sell	[2] Reevaluation of current management and products • Economy, function, and application a. Training of workers for preparing prototypes b. Establishment of design research sections c. Research into coloring technology d. Expansion of sales channels
[2] Factory locations	• Inferior, premodern work environment where workers spend their whole lives with their work	[3] Establishment of cooperative production syste [4] Establishment of overall exhibition hall for castings and attraction of tourists
[3] Ageing of employees	• Unglamorous manual work, difficulties in finding successors	[5] Training of successors and ensurement of labor force a. Improvement of work environment b. Improvement of wages c. Creation of attractive workplaces d. PR activities using audio-visual aids
[4] Insufficient information	• Collection of data purely voluntary and not done positively	
[5] Adeptness at production, but unadeptness at sales [6] Increasing severity of terms of trade	• Poor verbal communication skills - a personality trait of craftsmen	
[7] Perceptions of managers	• Limited craftmen's way of thinking	
Fukushima Tajimayaki Chinaware		
[1] Financial problems Low earnings, cash flow, price hikes in materials, poor terms of trade	• Low level of business management (no books or cash flow tables) Low perception of prime costs	[1] Modernization of financial management Establishment of bookkeeping organization and grasp of business by figures [2] Joint projects for production areas as a whole Designs and quality also must be improved
[2] Problems in sales and promotion of sales	• Inactive and insufficient sales promotion	[3] • Suitable production amounts and conscientious production of products
[3] Rationalization of production and product development	• Large numbers of similar, but shallower products	• Production of unique products • Product development a. Lectures for improvement of skills
[4] Labor problems [5] Strengthening and development of industrial organizations	• Rising personnel costs and shortage of technicians	[4] Employment of new workers and improvement of treatment [5] Promotion of joint projects (joint PR, maintenance and development of sales channels, guidance in business techniques, collection and transmission of information, adjustment of overcompetition, joint purchases, joint sales)
Ishikawa Prefecture Wajimanuri Lacquerware		[1] Establishment of quality guarantee system — Establishment of association mark and production area mark

Problems	Causes	Countermeasures	
		[2] Improvement of quality a. Establishment of wood drying facilities b. Research into lacquers c. Automation of lacquer drying d. Dustproofing of topcoat chamber [3] Establishment of foundation for production a. Ensurement of lacquer resources b. Labor saving in powder producing process c. Research into polishing of lacquer undercoat [4] Improvement of design development capabilities [5] Raising understanding of costs and obtaining grasp of prime costs [6] *Training of successors — Strengthening and augmentation of training organizations* Provision of training sessions [7] Opening up of demand	
Nagano Prefecture Iiyama Househould Buddhist Alters [1] Production system— Each process is handled by cottage size industries using manual labor [2] Production technology [3] Sales trends [4] Market and sales systems		[1] Establishment of sales system Joint direct sales outlets etc. [2] Reduction of costs and strengthening of vertical system in production Joint and cooperative use of subcontracting Joint purchases of materials by associations [3] Improvement of product development capabilities and quality Augmentation of design development and product standards [4] PR and establishment of information collection system Tackling tourist course	Regarding mechanization [1] Processes should be mechanized when this would not impair nature of handicraft and could be expected to improve quality [2] Mechanization would merely increase costs in the case of small sized companies and small lot, diverse product production
Ibaragi Prefecture Jukitsumugi Kimonos		[1] Inspection system - inspections by producers [2] Issuance of membership cards [3] Training of staff	An inspection system would be very effective
Tokyo Tokyosome Silk [1] Production control • Work instructions not systemized • Shortage of skilled workers • Work environment and antipollution measures [2] Problems in management • Market environment - shrinking market [3] Problems in business management		Individual company level [1] Establishment of business targets [2] Positive participation in plans of wholesalers and department stores [3] Expansion of demand - age groups [4] Characteristics of processing technicians and products	

Problems	Causes	Countermeasures
• Delay in management of figures		[5] Improvement of information collection system [6] New product development Industrial level [1] Strengthening of PR activities [2] Ensurement of training of skilled workers [3] Digging up potential demand [4] Formation of groups and joint activities[5] Research into improvement of means of production and processing and facilities and equipment
Shizuoka Prefecture Suruga Bamboo Work		[1] Coping with changes in demand a. Launching of product development teams b. Augmentation of market research information c. Development of sales routes [2] Strengthening of foundations of management a. Securing of bamboo materials b. Training of skilled workers c. Tieups with parties in different industries
Aichi Prefecture Toyohashi Writing Brushes [1] Difficulties in securing technical successors and ageing of existing technicians [2] Low perception of need for rationalization [3] High dependence on imported materials (80 percent dependence on Chinese materials) [4] Increase in imports of Chinese products [5] Entry of alternative products		[1] Strengthening of PR activities Use of mass media, use of exhibitions, participation in trade fairs and product fairs as production areas, use of brand special to production areas [2] Securing and training of successors [3] Securing and effective utilization of materials [4] Strengthening of association activities

[2] Thailand

a. Introduction

In the past in Thailand, handicrafts were produced only as a means of earning supplementary income. Agriculture has long been the major industry in the country and approximately seventy percent of the people still earn their living off the land. However, as the country's economy has developed and consumers' purchasing power has increased, the demand for handicraft products has increased to the extent that some of the more skilful craftsmen have given up farming and concentrated on producing handicrafts for a living. As a result, a handicraft industry focusing on the domestic market has begun to emerge on a cottage-industry level.

Today, a few of the handicraft businesses have grown from cottage industries into small and even medium-scale industries.

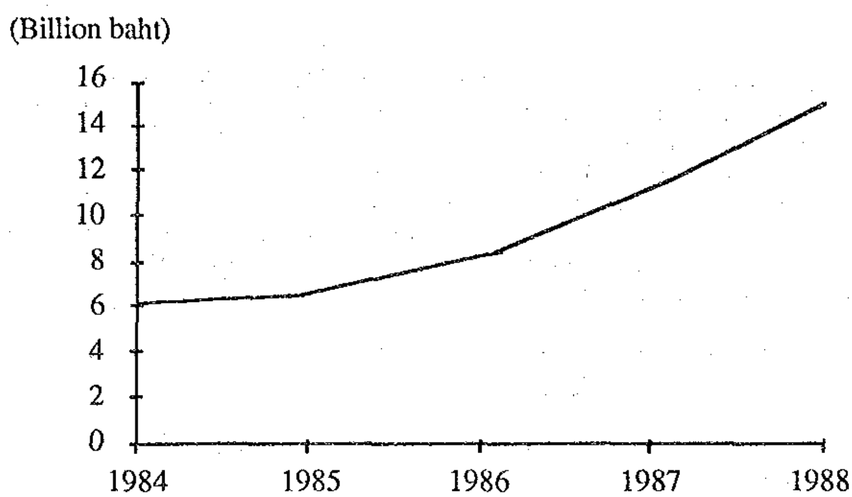
The successful promotion of the tourism industry played a key role in helping to create greater demand for the expansion of the handicraft industry. As more and more tourists from abroad travel to Thailand, they are exposed to Thai handicraft products. With unique designs and workmanship which reflect Thai culture and traditions, many handicraft products have become very popular among tourists and handicrafts have become one of Thailand's top foreign exchange earners.

b. By product

• Precious Stones

In the past five years, precious stones have been a very successful export. In 1988, exports of precious stones ranked only second to garments among Thailand's exports of industrial goods. Precious stones which are cut and exported from Thailand include a wide variety of stones such as diamonds, emeralds, jade, opals, rubies, sapphires, topaz, zircon, garnets, pearls, and others. Exports from the sector (Figure 1) were steady at around 6,000 million baht per year between 1983 and 1985 and grew by 31% to 8,368 million baht in 1986, 11,621 million baht in 1987 and 15,271 million baht in 1988. In the first half of 1989, exports amounted to 7,995 million baht and it is estimated that the year's total exports will be in the 18,000 - 20,000 million baht range.

Fig. 2-5-27: Export Value of Precious Stones



Source: Thai Handicraft Survey Report

Ruby (cut, not set) (SITC 710235 in 7103910100 Harmonize)

Since 1986, exports of rubies have grown at a rate of 600 - 800 million baht per year, expanding by 92 percent on a value basis between 1985 and 1988. In 1987, the average export price rose from 634 baht per carat to 900 baht per carat, or 42 percent.

Major importers of Thai rubies are the U.S.A., Japan, Hong Kong and Switzerland. Exports to the four countries combined accounted for 78 percent of ruby exports in 1988.

Sapphire (cut, not set) (SITC 710236 or 7103910201 Harmonize)

Exports of sapphires have grown from 2 billion baht in 1984 and 1985 to 5.9 billion baht in 1988. This represents growth of slightly more than 100 percent on a value basis. The growth of sapphire exports has been similar to that of ruby exports in that the average export price per carat for sapphires has continued to increase.

The growth of sapphire exports is also similar to ruby export growth in terms of the major importers - Japan, the U.S.A., Hong Kong, and Switzerland. Combined, exports to these countries accounted for 27 percent of total sapphire exports in 1988. It is also noteworthy to observe the effect of yen's appreciation in 1987.

Diamond (cut, not set) (SITC 710231)

Diamonds are another successful precious stone export from Thailand. Exports of diamonds grew from 600 million baht in 1984 and 1985 to 2.8 billion baht in 1988. This represents growth of more than 300 percent on a value basis.

Major importers of diamonds are Japan, Belgium, the U.S.A. and Hong Kong. Combined, exports to these countries accounted for 57 percent of Thailand's total diamond exports in 1988.

<Production of Precious Stones>

Precious stones mined in Thailand are mostly sapphires and rubies located in the eastern region at Chantaburi and Trad and in the western region at Rajaburi. As there are no diamond mines in Thailand, diamonds are imported. However, the increased demand for and growing scarcity of rubies and sapphires has recently forced manufacturers to import the stones. Cutting of precious stones is done primarily in Bangkok, Kanjanaburi, Chantaburi, Lopburi, Srisaket and Ubolratchathani where materials and skilled labor are located. At present, there are 12 large precious stone cutters in Thailand with total capacity of around 1.1 million carats per year. It is estimated that around 20 percent of the stones processed are sold in the domestic market and the remaining 80 percent is exported.

<Government Investment and Export Promotion>

The precious stone industry has been targeted for government investment promotion by the Board of Investment (BOI). The promotion takes the form of encouraging investment through tax exemptions for both Thai and foreign investors. As of 1989, there were approximately 120 firms with total capacity of 2 million carats per year which had been granted BOI Privileges.

Direct export promotion is a function of the Department of Export Promotion (DEP) under the Ministry of Commerce. Recently, export promotion in the form of trade fairs, exhibitions, trade missions and international market information services has been quite successful. Tourism promotion developed and coordinated by the Tourism Authority of Thailand (TAT), the Ministry of the Prime Minister's Office, in particular the declaration of "Visit Thailand Year" in 1988, has been highly successful in making Thai products highly visible throughout the world. Precious stones, which are some of the most popular products among tourists, especially from the west, have benefited greatly from this promotion.

Another government agency which has just become involved in the development of the precious stones industry is the Ministry of Industry. The Ministry has proposed three projects for the development of the industry. One is a training program for workers in precious stone cutting which has been proposed by the Department of Industrial Promotion (DIP). Another is a project to set up an Institute for Precious Stone Industry Development which has also been proposed by the DIP in cooperation with the Precious Stones Manufacturers Association of Thailand. The last project is a Precious Stone Industrial Estate proposed by the Industrial Estate Authority of Thailand (IEAT) and the Precious Stones Manufacturers Association of Thailand. All of these projects are still at the proposal stage.

The Precious Stones Manufacturers Association of Thailand and the Thai Chamber of Commerce are active in helping to provide information, guiding government policy, and participating in trade missions and seminars. They are also actively involved in the government's promotion activities.

<Factor Analysis of the Success of the Precious Stone Industry in Thailand>

The factor contributing the most to the success of the precious stone industry in Thailand is the high quality craftsmanship of Thai workers combined with labor costs which are much lower than those of Thailand's competitors. This has helped make Thai precious stones highly competitive on the world market. Thai precious stones meet international standards in terms of quality and their prices are much lower than stones from other countries.

The second important factor contributing to the success of Thailand's precious stone industry is the successful promotion of the tourism industry in recent years. Between 1985 and 1989, Thailand's tourism industry grew very rapidly. The number of tourists coming into the country each year increased by more than 300 percent annually during the period.

The third important factor is the export promotion activities of the DEP and the Precious Stones Manufacturer Association of Thailand which have acted as a catalyst in bringing the industry and the market together.

Finally, while exports have been growing continuously, growth in supply has been encouraged by the investment promotion efforts of the BOI. Accurately judging the growing demand for Thai products, the BOI has acted in a timely manner in introducing measures to promote investment in the industry.

• Metal Jewelry and Ornaments

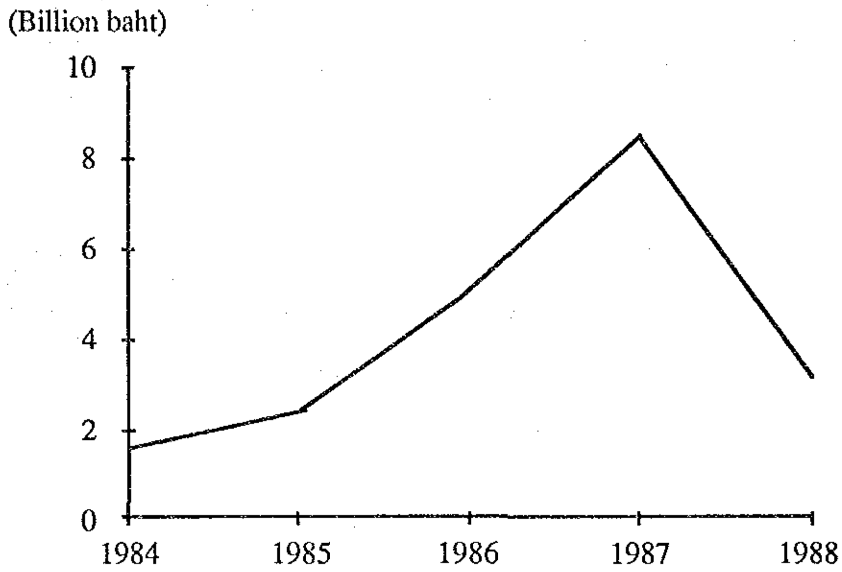
In line with the precious stone industry's success, the jewelry and ornaments sector has also been experiencing rapid growth in recent years.

<Exports>

Exports steadily increased between 1984 and 1987, marking growth of 76% in 1985, 113% in 1986 and 79% in 1987. In 1988, due to the regrouping of products which resulted from a change in the Department of Customs' system of recording, exports from category e) Articles of jewelry of other precious metals or rolled (SITC 711209), dropped from 6,036 million baht to only 88.8 million baht causing the total export of the products group to be reduced. It should be noted that exports of products included in this category did not actually drop. The reduced total is simply a result of the fact that some of the items in the category have been recorded elsewhere.

Important items in terms of export value are, in order of importance, item c) jewelry of other precious metal, (SITC 711209), b) jewelry of silver, (SITC 711202), i) imitation jewelry (SITC 711600), c) jewelry of gold (SITC 711201), and d) jewelry of platinum (SITC 211204). The combined value of these items accounted for 99% of exports in 1987. The U.S.A. is invariably the largest importer. Other major importers are Japan, the United Arab Emirates, Germany and Switzerland.

Fig.2-5-28: Export Value of Jewelry and Ornaments



Silver jewelry

Exports of silver jewelry have grown rapidly from 315 million baht in 1984 to 2,143 million baht in 1988, an increase of 6.8 times. Major markets are the U.S.A., Germany, France, and the U.K.

Imitation jewelry

Exports of imitation jewelry increased from 113 million baht in 1984 to 815 million baht in 1988, a 7.2-fold rise. The U.S. is the main market for imitation jewelry and the rest of Thailand's exports go in more or less equal proportion to Japan, EC countries and Middle Eastern countries.

Gold and platinum jewelry

As for gold and platinum jewelry, statistics show exports to be quite small and irregular. The small numbers may be the result of confusion in recording export transactions and the statistics are probably unreliable. However, the general trend shows that the major markets for gold jewelry from Thailand are the U.S.A., the U.K. and Germany and the major markets for platinum jewelry are Japan and the U.S.A.

<Production>

Some precious stone producers also produce jewelry. As of 1987, there were about 28 manufacturers with combined a capacity of around 4 million pieces per year. Most of them are located in the Bangkok area. The weaknesses of the sector are twofold. First is design capability. Most manufacturers at present produce according to buyers' designs. It is still difficult for Thai manufacturers to consistently come up with new designs to meet market demands. The other weakness lies in the scarcity and outright unavailability of precious metals in Thailand. Almost all of the raw materials must be imported and this results in high production costs.

<Government Investment and Export Promotion>

Investment and export promotion for the jewelry industry are included in the package developed for precious stones. At present, there are 120 firms which have taken advantage of BOI's investment incentives. Export promotion by the DEP also falls under the package developed for precious stones. However, at present, most efforts are focused on finding solutions to the strict protectionist measures invoked by the U.S. government. These measures undoubtedly will affect the jewelry industry in Thailand since the U.S. is its largest market.

<Factor Analysis of the Success of the Industry>

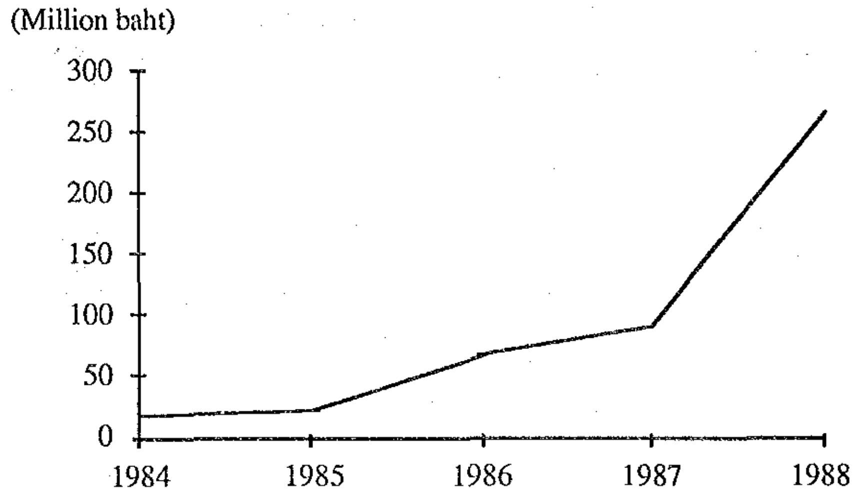
Factors responsible for the success of the jewelry industry are similar to those behind the success of precious stones. First and foremost is the high quality craftsmanship of Thai workers and the relatively low labor costs. The government's role is focused on facilitating, supporting and encouraging the industry and helping to remove obstacles blocking its development, in close cooperation with the private sector. Further development of the industry currently depends largely on the industry's and the government's abilities to deal with the growing protectionism in overseas markets.

• Ceramics

<Exports>

Statistics regarding exports of ceramic handicrafts are quite inconsistent due to irregularities which occurred when the figures were regrouped in 1988. However, the general trend shows increasing exports. Pottery products (SITC 619302, 619309, and 619420) account for the biggest share of ceramic exports. Exports of all pottery products grew from around 20 million baht in 1984 to 180 million baht in 1988 and showed a comparatively slight increase in the first half of 1989. The major markets for pottery products are the U.S.A., Australia, Japan, and the EC. The second most important product is statuettes. (SITC 691303). Exports of these products jumped from 0.5 million baht in 1984 to 3.5 million baht in 1985 and 30.8 million baht in 1986. Exports continued to grow steadily from 1986, reaching 53 million baht in 1988. The first half of 1989 saw even much higher exports compared with 1988. The major markets for statuettes are the U.S.A., which imported 61% of Thailand's total exports, France, Japan, and Germany.

Fig. 2-5-29: Export Value of Ceramics



<Production>

Production of ceramic handicrafts takes place mainly in small factories located in Lampang, Chiengmai, Rajaburi, Samutsakhorn, Saraburi, Nakhorn, Ratchasima and Bangkok. At present there are more than 45 factories in Thailand producing ceramic handicrafts. Most of them are small factories producing mainly for the domestic market. Approximately 20 - 30 percent of the production is for export. Most factories lack the design capability and the knowledge of ceramic technology to produce quality products suitable for export markets. Moreover, many firms which are successful in exporting are studio-type operations as opposed to factories.

There are no visible products of export quality which are unique and which reflect the Thai way of life or culture with the exception of celadon ceramics which are reproductions of ancient utensils. Ceramics which are successful in export markets are either art works or European or western style products made according to designs strictly specified by buyers. It is rare to see ceramic handicraft products which are designed by Thai people and which reflect Thai culture, not only in export markets but in domestic markets as well.

<Government Investment and Export Promotion>

Manufacturers of ceramic products which are eligible for BOI investment or export promotion incentives are mainly those who produce products other than ceramic handicrafts. Specific promotion of investment in the ceramic handicraft sector has not yet been realized.

The DEP's activities for the promotion of exports from the sector are significant. These amount to the organizing of exhibitions in Bangkok and participation in exhibitions overseas. The result has been the creation of awareness of Thai products among international buyers. However, the effect has been limited because production capability in the country, in terms of both quality and product design, is still not up to international standards. During the past 10 years, efforts have been made, especially in the northern regions around Lampang and Chiengmai, by the Department of Industrial Promotion (DIP) and the Ministry of Industry to promote the development of the technological capability of the industry. Real development is expected to be seen in the near future with the proposed establishment of an Institution for Ceramics Industrial Development in Lampang. The project has been proposed by the DIP and the Association of Ceramics Manufacturers of Lampang with aid from the Japan International Cooperation Agency (JICA).

<Factor Analysis of the Development of Exports>

The volume is still too small to call exports of ceramic handicrafts successful. At present, less than 10 percent of the ceramic handicrafts produced is exported. Investment promotion has not yet had a significant impact on development. What is needed at present is encouragement for existing manufacturers to develop and upgrade their present production capabilities to meet international standards.

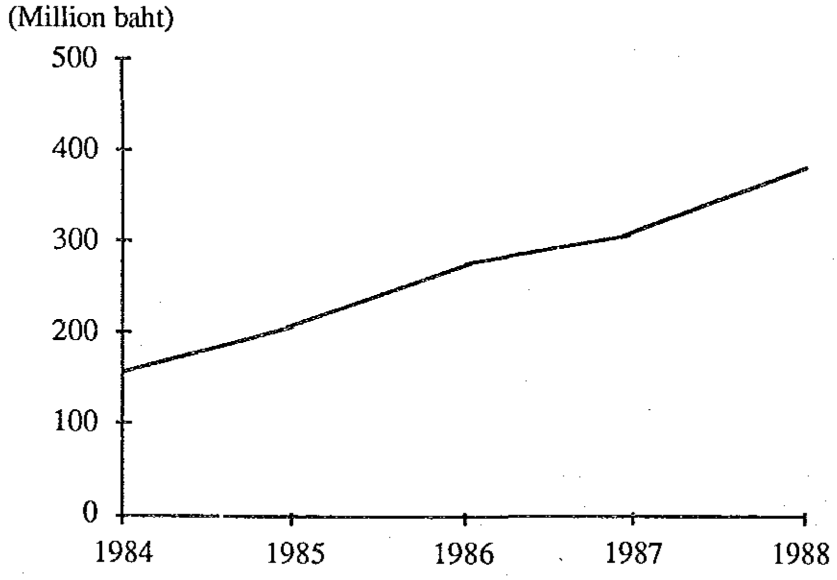
• Silk Products

Thai silk is unique and there is a long history of silk production in the country. In the past, Thai silk was regarded as inferior in quality compared with that of other countries because it was different from other countries' products. Recently, however, this difference has come to be seen as uniqueness rather than poor quality and Thai silk has started to become accepted on the international market.

<Exports>

Exports of silk products have been gradually increasing, from 166.9 million baht in 1984 to 391.9 million baht in 1988, an increase of 2.3 times. Silk fabrics account for the biggest share, about 85 percent, of total exports of silk products. Major markets for Thai silk fabrics are the U.S.A., Japan, the U.K., the EC, and Australia.

Fig. 2-5-30: Export Value of Silk



<Production>

Production of silk in Thailand, including the raising of silk worms, yarn making, dyeing and some weaving, is done mostly by villagers in the rural northeastern and northern areas on a cottage-industry level. Products from these villages are collected and sent to small and medium-scale firms in the cities for processing into finished products and sales. At present there are 60 such firms located mostly in the northern region with some representatives and sales offices in Bangkok. The production capacity of the industry is around 4 million yards, approximately 40 - 50 percent of which is for export.

While demand is growing, the supply of raw materials remains an obstacle in the way of industry expansion.

<Government Investment and Export Promotion>

Investment promotion incentives are available to all investors who wish to invest in the silk export industry. However, there are few applications because of problems in raw material supplies. Thus production of silk products has not grown enough to catch up with growing demand.

In terms of export promotion, much has been done by the DEP and the tourism industry to create awareness and acceptance of Thai silk on the international market. In the past, Thai silk was viewed on the international market as poor quality silk. Lately, however, through tourists who have come to Thailand, it become known and accepted that Thai silk is a product which is different from that of other countries. These tourists have spread the word about Thai silk in their respective countries and this has created demand in foreign countries. Thus export promotion first began with tourism promotion by the Tourism Authority of Thailand (TAT) and the DEP has since been making efforts to bring together local manufacturers and buyers from abroad.

<Factor Analysis of the Success of Exports>

The success of exports of Thai silk lies in the success of the industry and the Thai government in changing the attitude of the international market towards Thai silk, as discussed above. Success has been a result of the collective efforts of all parties involved, namely the DEP, TOT, the tourism industry, silk products manufacturers, the DIP and everyone involved in public relations. The change in attitude in the various markets has brought about acceptance of and demand for Thai silk. Since the demand was created, the DEP has played a greater role in increasing awareness and facilitating distribution between manufacturers and buyers. Hence the development of exports.

When comparing the volume of exports to the potential for exports from all over the country, Thai silk exports at present cannot be considered successful. With the vast majority of raw material supplies still scattered around the country and the relative lack of systems to control silk production, many of the silk products are still do not meet international standards in terms of color, design and fabric quality. Therefore, promotion efforts should be focused on the development of raw material supply systems and production capability.

• Carved Wood Products

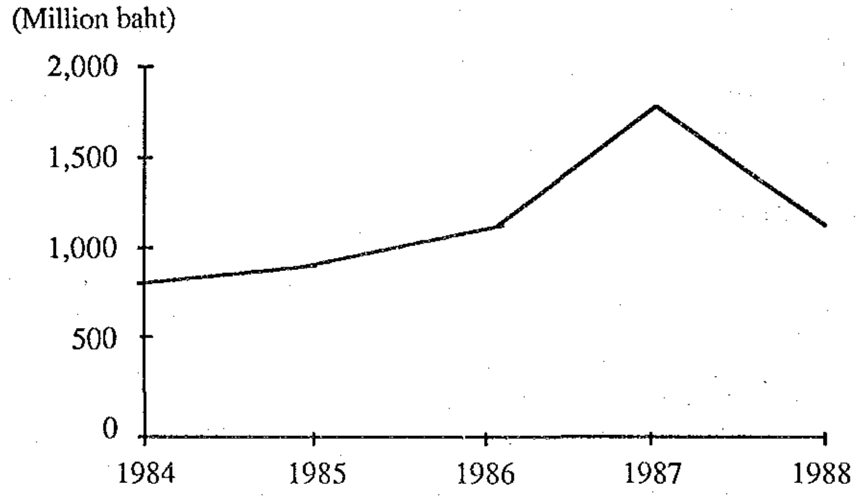
Carved wood products are another Thai handicraft which features excellent craftsmanship and uniqueness. However, the growing scarcity of raw materials, particularly teak and rosewood, and conservation of natural resources have been factors threatening the development of the industry. At present, the future of the industry seems uncertain.

It should be noted that in some product categories, particularly tables and chairs, some of the products exported are mass produced using machines and therefore should not be considered handcrafted products. It is estimated that as much as 60-70 percent of exports are machine processed products such as tables and chairs. Export statistics for wooden products are shown in Figure 5.

<Exports>

Statistics show that exports did not grow in 1988 but this is most likely inaccurate due to confusion caused by the regrouping of item i) (442709). Statistics show that exports of wooden handicrafts steadily increased between 1984 and 1987. After 1987, exports appeared to be stable at around 1,800 million baht. Among wooden handicraft exports, Other Household Utensils (item e) comprise the largest share with around 40 percent of the total. Major markets for the products are the U.S.A., Germany, Japan, and Australia. Lamps and other products under item i) account for the second largest share of total exports.

Fig. 2-5-31: Export Value of Wooden Handicrafts and Carved Wood Products



The major markets are Japan, the U.S.A., France, Hong Kong and Singapore.

Other products which are exported in significant volume are picture frames and mirror frames, doors and window frames, and other ornamental wood products.

<Production>

Production of wooden handicrafts is concentrated in the northern region which has long been known for its highly acclaimed craftsmanship in wood carving, something which is strongly embedded in the people's way of life. Recently, with growing scarcity of suitable wood, the supply of raw materials has become a problem and cottage-industry level producers who do not have adequate purchasing power have been forced to give up the business.

At present there are only about seven wooden handicraft makers with significant production outputs.

By late 1989, the government had completely banned logging in Thailand. It is now impossible to purchase raw materials locally and manufacturers must rely on wood imported mainly from Burma and Laos. With the unstable political situations in Burma and Laos, these supplies of wood are deemed unreliable. In fact, many manufacturers are now producing from raw materials stocked before the ban on logging. As a result, the future of the wooden handicraft production is uncertain and will depend largely upon the possibility of acquiring a steady supply of wood from neighboring countries.

<Government Investment and Export Promotion>

Because of government policy on the conservation of natural resources and the resulting uncertainty regarding the feasibility of the wooden handicraft business, no investment promotion is being undertaken at present. The role of the DEP in promoting exports ranges from providing information on international markets, public relations, organizing trade exhibitions in Thailand, participating in trade exhibitions abroad, organizing trade missions and organizing seminars and training courses.

Another government agency which is involved in the development of the handicraft industry is the DIP under the Ministry of Industry. The DIP is engaged in general development efforts in the areas of production technology and business management. Within the DIP there is a division call "Cottage Industry Division" which is involved in the handicraft industry. Another agency under the DIP is the Narai Bhand Corporation which is an organization set up for promoting marketing opportunities for handicraft products. Also under the DIP is the Small Industry Finance Office (SIFO) which deals in financial assistance for small industry. The office has been in operation for more than 10 years but has not yet had a significant impact on industrial development due to strict regulations and the inflexibility which has resulted from its vague status.

<Factor Analysis of the Success of Exports>

The success of wooden handicraft exports, particularly carved wood products, is due mainly to high quality craftsmanship and the uniqueness of the products. In fact, it can be said that in light of its current situation, the industry has been developed to its full potential and there is little room for further expansion at present. The biggest roadblock to development is the supply of raw materials. As a result, the future of the industry is dependent upon the political situations in neighboring countries and the role the Thai government takes in negotiating and securing wood supplies for the industry, something which remains to be seen.

c. Promotion Activities by the Thai Government

Investment and export promotion specifically aimed at the handicraft industry does not exist in Thailand. All government promotional efforts are for industry in general and are not focused on specific industries. Only occasionally, on a project or program basis, does the government focus on one particular industry or issue. Thus far, one large program has been set up by the government for the development of handicraft industry. This was the declaration of 1988 - 1989 as "Thailand's Arts and Craft Year."

The "Thailand's Arts and Craft Year" program was designed to boost the development of the handicraft industry in Thailand and was based on the following objectives.

a) Preservation of Thai arts and culture
b) Earning foreign exchange both from incoming tourists and from exports
c) Adding value to local resources
d) Generation of employment
e) Development of rural areas

The program was conducted jointly between the DEP, the Ministry of Commerce, the DIP, the Ministry of Industry and the Tourism Authority of Thailand (TAT). The program consisted of activities designed to cover all aspects of handicraft industry development. Since demands both domestically and on the international market greatly surpass supply, promotion is regarded as unnecessary. However carved wood products have been presented in exhibitions organized by the DEP on a regular basis.

Activities in Thailand's Arts and Craft Year 1988 - 1989

There were six committees which oversaw the following activities

(1) Training & Seminar Group

- Seminar on "How to Design Souvenir Products"
- Training in "Development and Improvement of Products for Women"
- "Thai Craftsmen Development Program"
- Seminar on "Development of Products for Export", etc.

(2) Handicraft Promotion Group - Production

- "Improvement in the Ceramic Industry", Lampang
- "Development of Products for Export - Household Handicrafts, Ceramics", etc.

(3) National Handicraft Center

- Provision of a list of manufacturers and sources
- Setting up of handicraft centers in each region of Thailand
- Collection of all types of handicraft products in Thailand, etc.

(4) Handicraft Promotion Group - Marketing

- "Public Relations for Export Development"
- "Marketing Survey for Export Development"
- Trade Mission, etc.

(5) Exhibition, Show and Handicraft Product Contest

- "Handicraft & Cottage Industry Exhibition", Bangkok
- "Product Design Contest", Bangkok
- Exhibition and show in large cities such as, Chiengmai, Songkla, Jantaburi, etc.

(6) Tour Promotion

- Project development in handicraft cottage industry
- Handicraft tour

Investment promotion in Thailand is a direct responsibility of the office of the Board of Investment (BOI) which is chaired by the Prime Minister. Eligibility for investment incentives depends mainly on the merits of the investment proposed. Criteria include export potential, employment generation, foreign exchange earnings and the location of the project. The incentives are offered to investors in general and are not focused on any particular industrial sector.

The above is generally also the case with export promotion undertaken by the DEP and the Ministry of Commerce. However, the DEP identified in its first policy statement target products which are to receive priority in its promotional efforts. Precious stones and jewelry, which rank second, are the only handicraft product included on the DEP's list of targeted products.

The main activities of agencies related to export promotion are as follows.

• DIP

— Technical assistance and training in techniques and manufacturing practices for manufacturers
— Exhibitions in Bangkok and in handicraft-producing regions
— inancial assistance for small industry for capital investment and working capital
— Dissemination of information to handicraft manufacturers

• DEP

— Export promotion activities such as trade missions and participation in trade exhibitions abroad
— Organization of exhibitions of Thai handicrafts abroad
— Establishment of trade centers in Chiengmai, Khon Kaen, and Had Yai for the northern, northeastern and southern regions respectively
— Sourcing of new technology for upgrading production
— Sourcing of some raw materials for the industry such as precious stones

• TAT

— Preparation of public relations material
— Press relations and public relations both in Thailand and abroad.

Most activities were performed as scheduled. Since the program has just finished, the results and real impact on the development of the industry is not yet known. However, judging from the activities involved, it seems that the program was designed with more emphasis on the cottage industry than the factory-level industry, a point which is of interest to this study.

[3] Philippines

Exports of handicrafts fell from US$132 million in 1980 to US$115 million in 1982. In 1985, they recovered to US$131 million but had still not reached the 1980 level. (See Fig. 2-2-33.)

Seen by product, household utensils accounted for the greatest export value, but such exports have been falling. These are followed by bags and handbags, gifts and decorative accessories, and imitation jewelry as main export products. Exports in 1985 exceeded the 1980 levels. In addition, there are exports of lighting equipment and shell products. The value of such exports are small, however. Exports had not recovered to the 1980 level by 1985.

The largest importer is the U.S. and its share is increasing. In 1984, it was 54.4 percent. This is followed by Japan, with a 10.7 percent share in 1984, followed by West Germany at 5.8 percent and Australia at 5.4 percent.

The competitors are China and Taiwan. China makes use of its low labor costs and engages in mass production. Taiwan remains competitive through the use of machinery, low wages, and government subsidies.

Fig. 2-5-32: Exports of Handicrafts

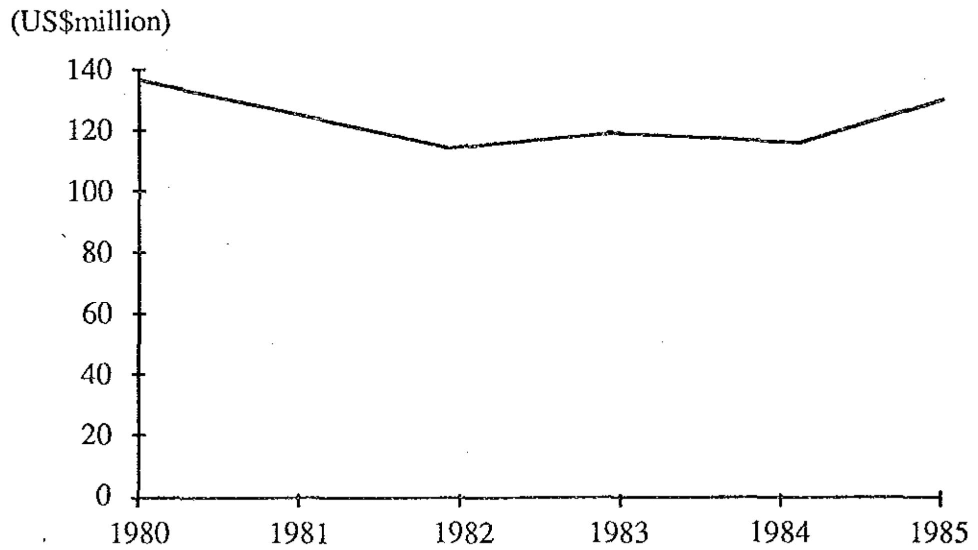


Fig. 2-5-33: Share of Imports of Main Importers

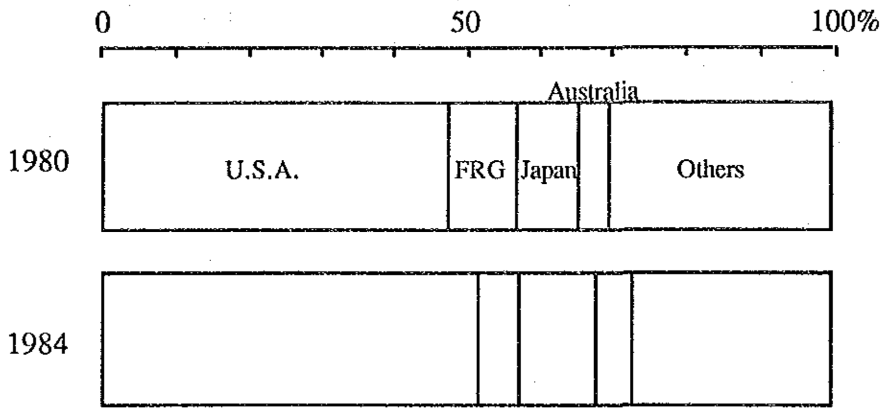
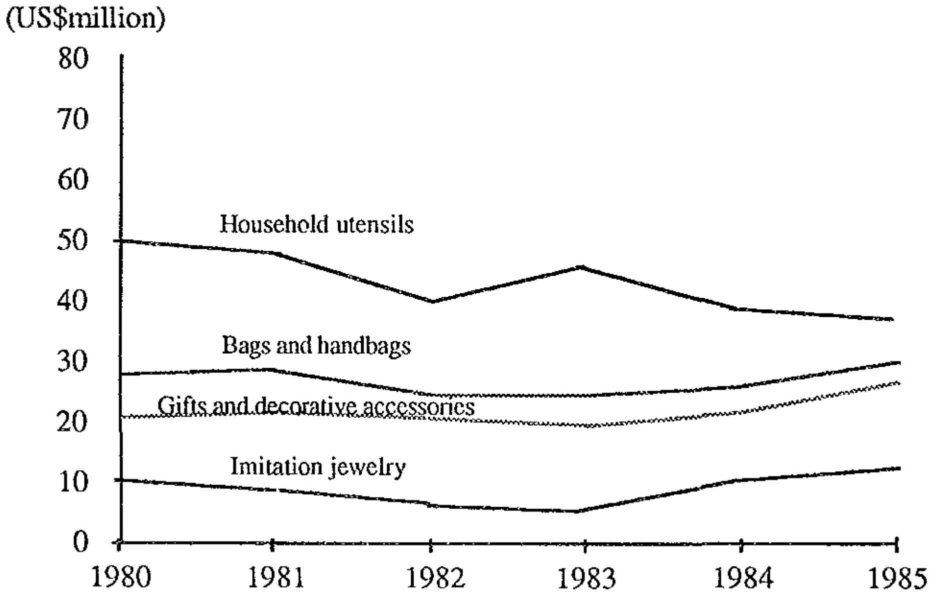


Fig. 2-5-34: Exports of Main Handicraft Products



Source: PDCP Industry Report

The handicraft industry faces the following problems:

[1] Procurement of materials: The areas producing the materials are far away, which means higher transportation costs and makes the competition among manufacturers to acquire materials fiercer.

[2] The companies are small in size and do not have the financial leeway to improve their technology.

Fashion accessories

<Production>

It is impossible to accurately determine the number of companies, but there are 387 industrial organizations and export companies registered. Of these, the products being made are known for 138. A breakdown by product shows that the most companies, 77, were engaged in production of bags and travel bags.

Table 2-5-7: Number of Companies by Production Item

Bags and travel bags	77
Gloves, mitts, etc.	2
Hats	10
Personal imitation jewelry	37
Belts	12
	138

Companies indicating they manufactured several products were counted several times.

<Exports>

The export ratio of products was 70 to 80 percent. The Philippines accounts for only a 0.2 percent share of total world exports of fashion accessories. In some countries, however, the Philippines' share is large. The Philippines account for 18.7 percent of the imports of gloves and mitts in Switzerland and for 15.3 percent of the imports of hats in Japan.

Exports rose from the US$48.5 million of 1984 to US$67.1 million in 1986, for an annual increase of 17.6 percent. A look at the exports in 1986 by product shows the bags and travel bags accounted for the largest amount, US$44.27 million or 66.0 percent, followed by personal accessories at US$11.97 million or 17.0 percent, other accessories at US$4.89 million or 7.3 percent, hats at US$3.42 million or 5.1 percent, and gloves and mitts at US$2.51 million or 3.7 percent. The share of exports of fashion accessories in the exports of the Philippines has risen from the 1.0 percent of 1984 to 1.4 percent in 1986.

Table 2-5-8: Exports of Fashion Accessories

(Unit: US$ million)

	1984	1985	1986	% share	Average annual increase
Bags and travel bags	28.6	31.6	44.3	66.0%	24.4%
Hats	3.7	4.2	3.4	5.1	3.5
Gloves and mitts	1.1	1.5	2.5	3.7	51.4
Imitation jewelry	12.2	13.8	11.9	17.9	1.0
Others	2.9	3.3	4.9	7.3	30.7
Total	48.5	54.3	67.1	100.0	17.6

<Problems>

The following factors are obstructing the expansion of exports of fashion accessories:

[1] Materials

- Metal parts of a domestic make discolor, so use is made of imports from Hong Kong and Taiwan. However, small size companies are not well acquainted with import procedures and do not have the proper personnel, so cannot quickly import. The slow procurement of the required materials has an effect on production.
- Vegetable fibers and other domestic materials are produced in specific regions which are susceptible to changes in weather. This seasonalness has an effect on prices.

[2] Technology

- In the case of large orders, the companies employ unskilled workers to increase their production, so find it difficult to maintain quality and cannot meet deadlines.

[3] Design

There remains a tendency for copying designs, showing the weak design development capabilities. Products using copied designs cannot be expected to bring a high price and the existence of copies even reduces the price of the original products.

<Proposals for Improvement>

The following proposals for improvement are those which industry is requesting the government implement within the next three years.

[1] Bonded warehouses for raw materials

The difficulties of small size companies in procuring raw materials could be resolved by stocking three to six months' worth of imported materials. The industrial organizations would guarantee that the materials would not enter the domestic market.

[2] Promotion of supporting industries

To reduce the dependence on imported materials, preferential treatment should be given to the manufacture of leather materials and metal parts.

- For vegetable fibers, plans for cultivation should be executed based on technical research so as to try to increase the supply.

[3] Data banks

A new, accurate data bank should be established for supplies of final products and raw materials and access by foreign buyers made possible. At the present time, there are data banks at the the Bureau of Foreign Trade and the Bureau of Small and Medium Industries, but the access must be improved.

[4] Design and technical development

- The Trade Training Center should establish a training center so as to create skilled workers.
- Government assistance in product development and improvement of technology should be strengthened by grants from abroad and use of experts.