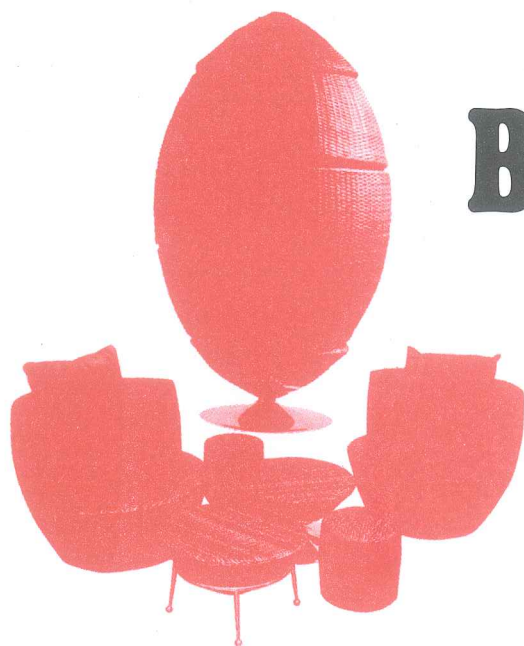


# MEASURES TO PROMOTE EXPORT OF

# BASKETWORK

## FROM THE HỒNG DELTA

by Dr. BÙI HỮU ĐỨC



**T**he export of basketwork from Vietnam in general, and from the Hồng Delta in particular, in the past decade has produced encouraging results, helped restore and develop traditional basketry guilds in rural areas. Companies that export basketwork have also played a role as an indispensable nucleus in such guilds. Although the export of this commodity from Vietnam, and from the Hồng Delta to be precise, in 2008 and early 2009 met with difficulties caused by the global economic crisis; and many companies operated at subsistence level, there are grounds for believing that the export of basketwork will regain its momentum when the economy passes its crisis.

This article tries to analyze main difficulties to production and export of basketwork by companies in the Hồng Delta employing results of our survey, and suggest measures to be taken by companies and authorities to deal with difficulties and promote the export of this commodity in the coming years.

### 1. Export of basketwork in the past few years

According to the Vietnam Industry and Trade Information Center (VITIC) under Ministry of Industry and Trade, the export of basketwork accounted for 24.8% of the earnings from export of

basketwork, carpet and lacquerware in 2008 as compared with 21.6% in 2007. Its export value was US\$55.6 million increasing by 17.5% over the 2007 value. In the last quarter of 2008, export of basketwork made of bamboo, such as tray, plate, bowl, basket, table and chair, vase, venetian blind, and floorboard, increased remarkably. Main markets for these bamboo goods in 2008 were the U.S., France, Germany, Japan, Spain, Belgium, Italy, Russia, South Korea, Poland, England and the Netherlands.

The 2008 export value of basketwork made of rattan was US\$33.1 decreasing by 17.9% over 2007. Its share in the earnings from export of basketwork, carpet and lacquerware fell from 18.4% in 2007 to 14.7% in 2008. Of this class of commodity, the export of rattan tables and chairs earned the biggest sum – US\$15.3 million – but this figure was a fall of 9.5% as compared with 2007 and accounted for 46.2% of the earnings from the export of rattan goods (this figure was 40.5% in 2007). Other rattan goods that gained high export values were tray, basket, box, carrier bag, shelf, dish and bowl. They were exported in 2008 to Germany, the U.S., Japan, France, Spain, Italy, Sweden, England, Poland, the Netherlands and Belgium.



The 2008 export value of basketwork made of water hyacinth and corypha leaves was US\$431.6 million falling by 10.5% over 2007. After gaining a high growth rate in 2007 (57.1%), the export of basketwork made of water hyacinth and corypha leaves fell drastically in 2008. For example, export of water-hyacinth vases earned only US\$5.5 million falling by 28.6% as compared with 2007. Some other products made of water hyacinth were still saleable. Big buyers of these products were from Germany, the U.S., France, Spain, Italy, England, Poland, and Belgium.

In the first months of 2009, the export of basketwork, carpet and lacquerware was not stable. According to the VITIC, export earnings of these goods from Germany reached US\$9.4 million only, decreasing by 15% over the same period of 2008. Earnings from other markets, however, made some increases. For example, earnings from Austria equaled US\$1.1 million increasing by 4.4 times as compared with the corresponding period in 2008. In the first five months of 2009, however, the total value of export of such goods only reached US\$70-million mark falling by 25% over the same period last year.

The Hồng Delta has a big share in the export of basketwork. According to my rough estimate, this share is equal to some 45% and the former Hà Tây (part of Hà Nội now) accounts for 10.5% because there are many chances and efforts to preserve and develop traditional guilds in this delta, especially the ones producing the basketwork.

Of 723 basketry guilds in Vietnam, 346 ones are found in the Hồng Delta, according to a JICA survey. Most provinces in the delta house some basketry guilds that develop into villages. Many of them are famous, such as Phú Nghĩa, Phú Vinh, Trường Yên (in former Hà Tây); Thiện Phiến, Văn Phúc, Liên Khê (Hưng Yên Province); Chính Mỹ, Tiên Sa, Tiên Cẩm (Hải Phòng Province); Ngọc Động (Hà Nam Province); Cát Đằng (Nam Định Province); Chính Thôn, Thái Xuyên, Thượng Hiền (Thái Bình Province), and Xuân Lai (Bắc Ninh Province). The best part of the output from these villages is exported and its markets include the EU, Japan and the U.S.

## 2. Main obstacles to export of basketwork and basketry companies

Basketry companies play an important role and

dynamic of development of export of handicrafts from Vietnam and the Hồng Delta as well. According to Phạm Minh Trí from the Center of Statistical Informatics Services under Ministry of Agriculture and Rural Development, there are no statistics of basketry companies because they are included in the group of forestry processing concerns, but the number of such concerns has been on the increase in recent years: from 742 in 2000 to 2,032 in 2006; and their work force from some 62,000 in 2000 to 114,000 workers in 2006.

Regarding its share in the total number of companies, the basketry business is very small, accounting for only 2% compared with 14% by construction companies and 42% by trading ones. Regarding the labor force, all basketry companies are of small size: none of them have a workforce bigger than 500 persons. Companies employing over 300 laborers represent only 1-2%. Most of them employ no more than 200 laborers, and 44% of them employ less than 50 laborers; 20.7% of them employ from 5- to 199 laborers. Over 80% of them don't have enough capital to modernize their production lines and most of them employ obsolete machines and equipment with the result that their productivity and product quality are poor. The labor force in this business is in fact much bigger because it employs many seasonal laborers who are local peasants.

In addition, lack of support from scientific and cultural authorities makes designs of basketwork monotonous and less competitive on both domestic and foreign markets. Regarding the working capital, some 75% of companies in Vietnam have less than VND5 billion in their working capital, and





only 5% of them have working capital bigger than VND50 billion.

As for managers, according to Phạm Minh Trí, most owners of basketry companies are 45 years old or older. Over 53% of respondents are in the 45-60 age bracket; and 5% of them reached the retirement. This is also a feature of this business because experience and skills are important to basketwork production. But less than 10% of owners or managers are under 35 years old, which limits creativity and activeness in this business, especially in making designs and applying new techniques. About one-fifth of company owners engage in their business because they follow in their fathers' footsteps and only 15% of them have some knowledge of commercial and financial matters. Over 62% of respondents say that they do business according to experience and lack formal training. The basketry business in the Hồng Delta faces the same situation.

In spite of limits on resources, basketry companies in the Hồng Delta have contributed a lot to the export of basketwork in the past few years. Many of them play decisive roles in restoration and development of basketry guilds in rural areas, and gain big export earnings, such as Hiệp Hòa (Thái Bình) that earn from VND22 to 27 billion a year from export, Ngọc Động (Hà Nam) from VND22 to 25 billion a year; Hồng Tiến (Hà Nội) VND17 – 18 billion; Thanh Bình (Thái Bình) some VND10 billion; and Hoa Sơn (Hà Nội) some VND5 billion. But their production and export still meet with a lot of difficulties.

We have conducted a survey of 20 basketry companies in Thái Bình, Hà Nam and (former) Hà Tây by asking them to fill a questionnaire that centers on obstacles to export of their products and possible solutions to be taken by authorities and companies themselves. Twelve companies have sent back filled questionnaires. And results show that main obstacles to export of basketwork are: Shortage of capital and limited access to source of loans, shortage of raw materials, poor quality of raw materials, lack of business information, lack of support from authorities, shortage of land for factory buildings, obsolete technology and machines, small scale of the production, poor ability to conduct trade promotion, poor designs of products, and keen competition from Chinese and Indonesian products.

**Table 1: Obstacles to development of basketry companies in the Hồng Delta**

Obstacle	Number of respondents	As %
1. Shortage of capital and limited access to source of loans	12/12	100.0
2. Shortage of raw materials	12/12	100.0
3. Lack of business information	10/12	83.3
4. Shortage of land for factory buildings	11/12	91.7
5. Obsolete technology and machines	9/12	75.0
6. Small scale of the production	9/12	75.0
7. Poor ability to conduct trade promotion	8/12	66.7
8. Keen competition from Chinese and Indonesian products	7/12	58.3
9. Lack of support from authorities	6/12	50.0

Source: Author's 2008 survey

- Shortage of capital and limited access to source of loans: When companies have export contracts, they get small advances but have pay big advances to producers with the result that they run short of working capital. Most of their loan capital is of short term. Although this situation is common in this business (it only produce goods to orders placed by buyers), it prevent companies from working out sustainable product and marketing strategies. Some 5% of respondents can secure bank loans and long-term ones are rare.

Prices of raw materials tend to rise steadily when companies run short of working capital, and as a result, they are reluctant to sign export contracts. When banks reduce the supply of loan in order to curb the inflation, basketry companies can't get access to sources of finance. Moreover, most companies don't want to get loan capital because of high interest rates. At present, some 50 basketry companies in Phú Vinh guild (with some 8,000 laborers) operate at subsistence level, and many small concerns have to stop operating. Shortage of working capital also prevents them from modernize their machines and technology with the result that quality and design of products are not improved and they can't secure firm footholds in the market. Many sources of finance may be available but many companies fail to meet



requirements posed by the banks.

Results of the survey show that basketry companies can hardly secure big loans (over VND100 million). Banking procedures also make them tired. Small and medium enterprises, not to mention family businesses, are considered as unable to get access to bank loans. Another reason is the fact that most owners of SMEs develop their companies based on their experience and determination instead of knowledge, and therefore, their business plan is not made carefully and persuasive in the eyes of bank managers.

- Shortage of raw materials: This is also a great difficulty to basketry companies. In Hà Tây for example, some 90% of raw materials come from other provinces. Transport cost and expenses on greasing the wheels make prices of raw materials much higher. In addition, quality of raw materials is not uniform because they come from various sources. In many cases, the raw materials can't be used for making exports. Unstable supply of raw materials is one of causes that prevent basketry companies from accepting big orders from foreign buyers.

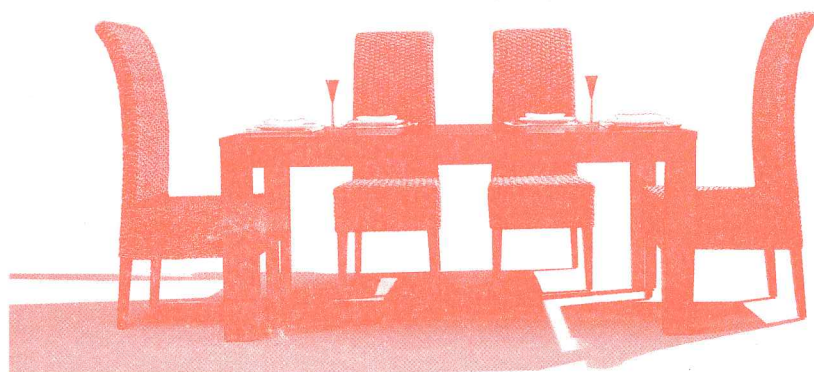
According to Department of Processing and Trade for Agro - Forestry - Fisheries Products and Salt Production under the Ministry of Agriculture and Rural Development, some 40% of basketry companies (most of them are in the Hồng Delta) are operating at subsistence level, and some of them are facing danger of closure because of shortage of raw materials, among other things. Rattan and bamboo in Vietnam are abundant but excessive and unreasonable exploitation make both quantity and quality of these raw materials go from bad to worse. In Hà Nội alone where 94 basketry guilds are operational and in need of thou-

sands of tones of raw materials every year; and they have to buy materials from Northwest provinces, Central Vietnam, Laos, Cambodia and Indonesia. This situation makes prices of raw materials very high, and many companies can't enter into major contracts with foreign buyers because of unreliable supply of raw materials.

- Small scale of the production: When integrating into the world economy, all basketry companies know that they should cooperate with one another to compete against foreign rivals but they don't know how to run such joint ventures. Until recently, Association of Hà Tây Basketry has been formed and come into operation in order to beef up cooperation among member companies and competitiveness of Vietnamese basketwork in foreign markets. Authorities must bear responsibility for organizing and creating conditions for such cooperation, and more importantly, equipping managers and owner of such companies with necessary knowledge of international integration.

- Poor ability to conduct trade promotion and market researches, and build brand names: Most basketry companies produce goods based on foreign designs and subcontracts signed with foreign partners, which makes the added values of their products, and their income as well, are small. Shortage of capital also prevents them from taking part in exhibitions or trade fairs at home and abroad.

In China and Indonesia, the basketry business is supported actively by authorities (reliable supply of raw materials, publicly-financed trade promotion, and exemption from land rent, etc.) while basketry companies in Vietnam get little support from authorities. In addition, new and attractive design is a decisive factor of the survival of basketry companies while most basketry companies





in Vietnam have no ability to create new designs and build their own brand names.

- Shortage of land for factory buildings: Basketwork requires good storehouses while factory buildings and facilities of many companies are very poor and usually attacked by fungi and mold during the rainy season. Many stages of production are conducted in workers' houses, and even in their kitchens or yards, where products can't be kept in good conditions. Long-distance transport in bad weather also causes damage to the product quality. Many batches of basketwork have been sent back by foreign importers just because of bad quality.

Difficulties to basketry companies became more serious in 2008 when the world economic crisis made the demand for basketwork fall drastically. Basketry companies should take measures to deal with difficulties, maintain their operation and expand their business when appropriate.

### 3. Measures to promote the export of basketwork from the Hồng Delta

To promote the export of basketwork from the Hồng Delta in the coming years, central and local authorities should examine and carry out policies to support the business circles appropriately, and companies should select solutions to obstacles to their export.

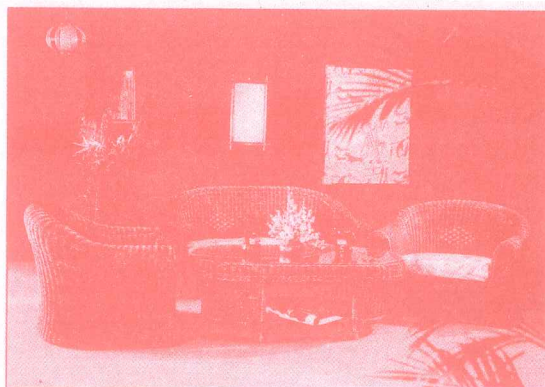
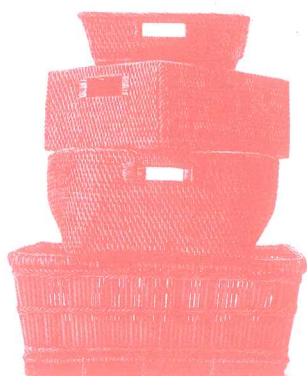
a. Measures to be taken by authorities:

- Zoning areas for producing raw materials: To develop the basketry in a sustainable manner, authorities must zone areas for producing raw materials for this business. Researches on sources of raw materials must be carried out in order to select appropriate strains and grow them in various scales (farms, forests, in rotation or intensive farming, etc.).

Policies to encourage development of areas for producing the raw materials must be adopted and promulgated. They are policies on land, afforestation, credit, investment in infrastructure, technology transfer, and trade in raw materials for the basketry. They have great effects on basketry companies and planters of bamboo and rattan in areas zoned by local authorities. Cooperation between neighboring districts and provinces is also much needed for developing such areas. When such areas are big enough and can produce raw materials of high quality, basketry companies can produce basketwork in large quantities to orders placed by foreign buyers.

At present, Hà Nội Agricultural Extension Center is cooperating with authorities of Thạch Thất and Chương Mỹ Districts to plant 52.5 hectares of white rattan (*Calamus tetradactylus* Hance) in rotation and in intensive farming on hills with a view to introducing it to local peasants. Some 95% of rattan trees planted in this program are growing well. This area will solve the shortage of raw materials suffered by basketry guilds in Hà Nội for years. In 2009, the Center plans to cooperate with Chương Mỹ and Mỹ Đức district authorities in growing 50 hectares of white rattan on hills and farming land. The white rattan is also planted in Thái Bình, and this business brings planters in about VND50 – 60 million a year per hectare. This model has produced initially encouraging results and it is worth developing by authorities.

- Support for companies in their market research and trade promotion: Local authorities of trade, industry and agriculture should gather information from both domestic and foreign sources, and cooperate with trade associations to predict market demand, prices and changes in customers' taste with a view to helping companies and guilds



Chillon Arm Chair





adjust their business plans timely. Support for trade promotion can take various forms, such as financing companies that take part in trade fairs at home and abroad, or organize fairs in Vietnam, thereby providing them with chances to find new markets and partners.

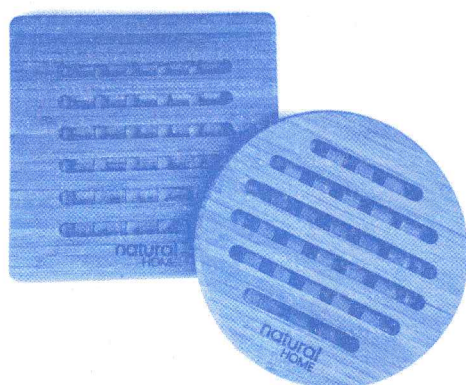
- Incentives to production and export of traditional handicrafts: Reality shows that basketry companies play decisive role in export of products from traditional guilds. The companies undertake various tasks: supplying raw materials, conducting market researches, making new designs, purchasing finished goods and exporting them. Any guilds can develop their business and improve incomes for laborers when they establish good relations with basketry companies. Local authorities had better adopt policies to offer incentives to companies and cooperatives producing handicrafts, including the basketwork in order to encourage them to engage more actively in the export of handicrafts, thereby developing traditional guilds and improving the living standard in rural areas. Supply of low-interest loans must be high on the agenda of authorities. Although the most important measure to rescue traditional guilds now is to find markets for their output, doing so, however, requires improvements in competitiveness of basketry companies by helping them get access to subsidized loans offered by the government's stimulus program. These companies find it hard to secure such loans because the banks require that borrowers should repay old debts, ensure future profit, and have sufficient facilities for production while most of companies are suffering huge debts. Statistics show that loan capital accounts for 50% of registered capital of small and medium enterprises. According to the Vietnam Association of

Craft Villages, outstanding loan owed by craft villages, cooperatives and guilds in Vietnam amounts to VND2,169 billion. The SBV had better direct provincial branches of Bank for Agriculture and Rural Development and Bank for Investment and Development to supply subsidized loans to SMEs operating in craft villages and guilds.

- b. Measures to be taken by companies:

- Generating sources of raw materials: Companies should make plan to develop sources of raw materials on their own by signing contracts with peasants engaging in publicly-supported programs to plant bamboo and rattan. If they can sign contracts with cooperatives, they can create a network that provides them with necessary raw materials. Experience from exporters of basketwork shows that both output and input can cause difficulties for the export of handicrafts. Developing convenient, stable and cheap sources of raw materials by establishing cooperation between companies and potential suppliers must be prioritized by both companies and trade associations.

- Diversifying and innovating product designs: Most consumers, especially foreign ones, don't want to buy handicrafts of the same designs as the ones they have bought. To promote the export of basketwork, companies should pay full attention to the design of their products making it continuously new and attractive in the eyes of consumers. Besides expanding their shares in existing markets, the companies should try to enter into new markets in order to find new directions for their products. Product designs must be appropriate to cultural, psychological and esthetic characteristics of target markets. For example, the Japanese demand for handicrafts is diverse and changeable;





which requires diversity of colors and designs. Cultural tradition and economic conditions provide Japanese consumers with a good taste in handicraft and they are ready to pay higher prices for better quality while American consumers pay more attention to native features and dislike products that may be culturally contrary to other cultures.

- More investment in facilities and expansion of production scale: The production must be developed into a larger scale by beefing up control over quality supplied by individual guilds or families and perfecting the product quality before exporting. Besides stages or jobs that should be done manually in order to ensure traditional and unique features of the product, companies should mechanize other stages of production, such as processing the raw materials or packing the finished products, in order to reduce production cost and enhance productivity and product quality.

- Trade promotion: Exporters of basketwork should keep accessing foreign markets and increase their market shares, especially in such demanding markets as the U.S., Japan and the EU. Many companies have given up their efforts after initial failures. They had better learn from failures and study the market demand more carefully in order to produce goods appropriate to customers' tastes in different markets, instead of offering the same products to all markets. Taking part in national and international trade fairs and advertising their products in mass media, especially the Internet, are also useful. In future, when the product quality is stable, companies had better open their websites and consider them as effective means for promoting the production and export.

- Cooperation among basketry companies could be beefed up by exchanging business information, taking part in trade associations, supporting one another in dealing with large orders, and avoiding unfair competition and maintenance of small-scale production. It's the cooperation that helps companies enhance their product quality and competitiveness as compared with their Indonesian and Chinese counterparts. The Hà Tây Association of Basketry Companies, established in 2007, has suc-

ceeded in expanding the production scale and ensuring stable product quality, thereby promoting effectively the export of products from its members.

I hope that these measures can help promote the export of basketwork from the Hồng Delta, develop craft villages, create more jobs, and improve the living standard for local peasants in future ■

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