

In the industrialization period, traditional handicraft business could help create more jobs, change the structure of industry and reduce the flow of migrants to big cities. Of course, development of handicraft business needs both efforts from craftpersons and help from authorities.

Traditional crafts have a long history in Vietnam. In old societies, it was considered as an additional source of income for peasants and this business was usually handed down from generation to generation. Many Vietnamese handicrafts of great beauty are still on display in both local and foreign museums now. In recent years, Vietnamese handicrafts have been exported to East Europe, North America and many Asian countries. Traditional crafts started to revitalized in old villages: copper casting in Đại Bái (Bắc Ninh), ceramics in Bát Tràng (Hà Nội), rice paper in Trảng Bàng (Tây Ninh) pottery in Bình Dương, mother-of-pearl inlay in Chuông Tre (Hà Tây), etc. Many of them have become tourist attractions and suppliers of handicrafts for export.

In the 1980s when the trade with the East Europe bloc was encouraged, the handicraft business started to recover and its export value reached 250 million ruble at times representing some 30% of Vietnam's export earnings. The export value at that time was expressed in ruble with fixed exchange rate, which was usually two times higher than that expressed in the dollar. Vietnamese handicrafts in foreign market during this period have left good impression of the socialist Vietnam.

In the early 1990s, the traditional export market for the business was contracted because of many political and economic events, which produced bad effects on laborers. After 1993 on when the VCP decided to change the structure of industry in rural areas many efforts were made to find new markets for Vietnamese handicrafts and made them more suitable to foreign tastes. The business experienced new developments in 1995. In 1996, its export value reached US\$76.8 million and rose to 236.8 million in 2000 (if wooden furniture is considered as handicrafts,

the export value could reach US\$600 million).

At present, villages with traditional handicraft business employ some 30% of the working population in rural areas, that is, some 1,326,000 families. The average income of these families is usually two or three times higher than that of families living on farming business. Some 24,000 small and medium enterprises specializing in making handicrafts have been established in rural areas. The growth rate of the business is about 30% a year and its products are sold to 50 countries all over the world.

Raw materials of all kinds needed for the business are abundant and cheap; and imported ones represent only 3-5%. This is one of favorable potentials, besides cheap and skilled labor, for the export of handicrafts. The problem is what policies should be adopted to accelerate this business.

#### 1. Challenges

The world demand for handicrafts increases along with personal income. Developed countries import

# POTENTIALS FOR EXPORT OF HANDICRAFTS

by MEcon. LÊ VĂN HOA



billions of dollars worth of handicraft. However, the demand and consumers' taste differs over countries and seasons. In future, consumers tend to demand more and better designs for each handicraft item. Foreign importers will be stricter about delivery and more demanding about quality and package. In addition, Vietnamese producers will meet with keen competitors from surrounding countries, such as China, India, Indonesia and the Philippines.

On June 29 and 30, 2002, the Ministry of Agriculture and Rural Development, in cooperation with the Japan International Cooperation Agency, held a workshop on "Encouragement to Handicraft Villages in Vietnam" in HCMC. At the workshop, many companies mentioned the greatest difficulty facing the business was the low skill level of laborers because most of them were apprentices to older craftspersons instead of learning the trade in vocational schools. That is why their skills and tastes weren't refined enough. And as a result, Vietnamese handicrafts weren't good enough to find a firm foothold in the world market. Other problems are: shortage of area needed for expanding production; poor infrastructure, lack of facilities for dealing with pollution, unreliable supply of raw materials, lack of information and protection for copyright. Even managers or owners of companies have no knowledge of laws and policies on production and export.

According to many recent documents, 90% of companies didn't know how to promote trading activities, 90% met difficulties in carrying out market research and selecting the export market, 86% had problems with tasks of gathering and processing business information, 82% got confused when fulfilling procedures for exporting and importing their goods, 64% didn't know how to improve the product quality, 60% had problems with working out the production cost and export prices, and 50% meet difficulties in negotiating with foreign partners.

At present, most handicraft villages pay only attention to the domestic market and they couldn't predict changes in the market demand, and as a result, they sometimes can't fill orders in time and sometimes have to sell off their stock. In some worse cases, certain companies face bankruptcy because they find no market for their products.



## 2. Measures to develop the handicraft business

The business includes mostly small and medium enterprises, so the Government had better adopt policies to help them improve their competitiveness, and give them the same treatment companies of other sectors receive, such as granting or leasing land needed for their production, allowing direct export, supplying advisory services, etc.

As for the credit policy, they need fiduciary loans with interest rate and repayment terms suitable to the production cycle. In addition, the state-owned banks could provide them with soft loans needed for improvement in laborers' skills. Tax incentives could be used for encouraging them to expand their businesses and produce goods for export.

There must be policies to revitalize villages with traditional handicrafts, and help them deal with environment matters and apply technical advances with a view to developing the cottage industry. Other supporting measures are: supplying information about domestic and foreign markets; carrying out campaigns to market Vietnamese handicrafts in foreign countries, giving training courses in marketing and business administration to managers, cutting taxes on imported machinery and equipment needed for replacement of production lines, etc.

Training courses in skills and industrial creativity are of the same importance because they help produce high-quality works of art. The way of giving these training courses

must be appropriate to learners who are mostly workers or children of craftspersons. Realities show that in villages with traditional handicrafts most companies are only family businesses and their number is on the increase. Local authorities could take measures to encourage craftspersons to engage in giving training courses to the young generations.

To revitalize these villages, local authorities could build showrooms and museums in order to turn them into tourist attractions, which could create new jobs for local residents thereby reducing the flow of migrants to big cities.

The Government had better form an office responsible for controlling these villages, work out a long-term plan to develop the business and find new markets for their products. Reasonable labor division and specialization are needed to establish close relation and balance between supply and demand. A website for introducing Vietnamese handicrafts to foreign customers is very useful.

Local authorities can combine the handicraft business with the tourism industry and export activity. Handicraft concerns could be developed into satellites of export companies that undertake the task of marketing their products and placing orders according to requirements by foreign buyers. Handicrafts of refined taste are always good souvenirs that help enhance the image of Vietnam in the eyes of foreigners, therefore revitalization and development of this business is a matter of great importance. ■