

SESSION 3-1: “Manufacturing and Marketing of Traditional Arts and Crafts -Entrepreneurship Education Projects-”

Introduction of successful projects related to the promotion of a traditional local industry growth potential through strong partnerships between intellectual centers such as universities and regional industries.



- Prof. Dr. Yonosuke Hara, Chairman of Board, Asia SEED, Japan
- Prof. Takeru Oe, Professor of Waseda University, Institute of Asia-Pacific Studies, Japan
- Mr. Stephen Paterson, Advisor, National University of Management, Cambodia
- Dr. Sunanta Fabre, Associate Professor, Mae Fah Luang University, Thailand



Dr. Fabre



Mr. Paterson



Dr. Oe

Entrepreneurship Development and Local Business Promotion



What's a "Local Business"?

- **Originality** based on **traditional background** of the region
- **Utilization of local resources and local technologies** by local people
- **Community based production**



What's "Local Business Promotion"?

Local products must be:

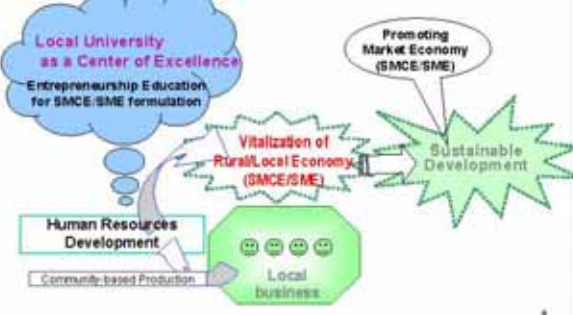
- competitive in **international market**
- with high **quality/package design** that meets the market requirements
- yet furnished with **local originalities**

Local Business Promotion is to:

- increase the **economic value** of local resources and enhance market
- without giving damage to **the environment and local community**, thus
- upgrade the **quality of life** of the local people

Now...How do we do that?

Mission from Japanese METI to Asia SEED in 2003 Develop model for "Entrepreneurship Education" to Thai OVOP villagers for Thai local business promotion



Human Resources Development at Local University as a Center of Excellence



Pilot Program in Thailand (2003), Cambodia (2004) and Malaysia (2005)



*Session 3-1: “Manufacturing and Marketing of Traditional Arts and Crafts
-Entrepreneurship Education Projects-”*

Dr. Yonosuke Hara

“Entrepreneurship Development and Local Business Promotion”



Today's speakers

- Prof. Dr. Ohe, Waseda University
- Assoc. Prof. Dr. Sunanta Fabre, Mae Fah Luang University
- Mr. Stephen Paterson, National University of Management, Cambodia

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Tricycle Model
To Create an Entrepreneurial Society

Learning from Helping

The role of education in promoting local industries and SMEs
-Entrepreneurship Education Projects-

September 22, 2006
Waseda University, Tokyo Japan
Takeru Ohe


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- Entrepreneurship Course at Waseda Business School
- Programs in Asia

Waseda Venture Kids Program

Waseda University

- Established in 1882
- Third largest university in Japan
- Motto: Independence of Learning
- Waseda Business School
 - MBA and MOT Programs
 - NTU-Waseda Double MBA
 - <http://www.waseda.ntu.edu.sg/>
- Prof. Ohe teaches
 - Corporate Venture
 - Entrepreneurship




Entrepreneurship is an instinctive skill set

- Education & home discipline prevent the use of this skill set
- Kids have limited opportunity to use the entrepreneurship skill set
- It is essential to provide opportunities to use the entrepreneurship skill set



Entrepreneurs have their own practice when they are young on entrepreneurship

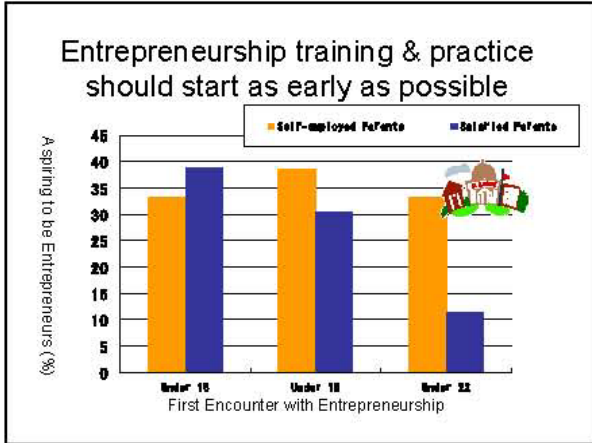
- Bill Gates, Microsoft
Established a software company at 15
- Dell, Dell Computer
Established a mail-order stamp service at 12



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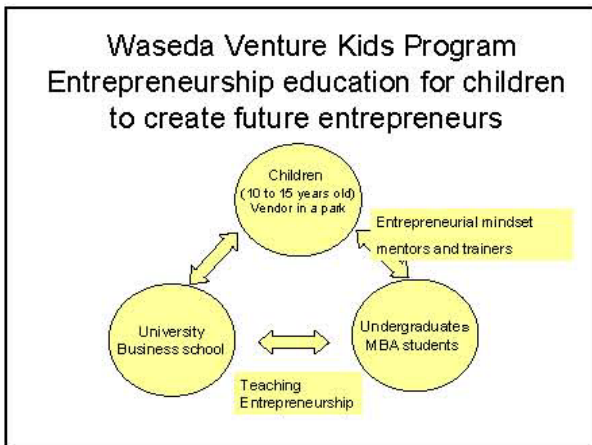
Dr. Takeru Oe

“Tricycle Model to Create an Entrepreneurial Society”



Education Required for 21st Century Information Age

Industrial Age	Information Age
<ul style="list-style-type: none"> Long Term – Right answer – Study the right answer – Improve the answer Knowledge based education 	<ul style="list-style-type: none"> Short Term – No right answer – Trial and error – Entrepreneurship – Learning from failure Assumptions based education



Selfwing, Inc.

- Selfwing, Inc. is a venture established by MBAs from Waseda Business School.
- Selfwing, Inc. provides its unique educational programs for children, such as V-kids Camp including the following programs;
 1. Entrepreneurship
 2. Business
 3. Traditional craft
 4. Foreign language
 5. Career planning
- V-kids programs are provided in the forms of summer camps or regular class room for children, collaboration with local communities.

Basic Activities of Venture Kids Program

Entrepreneurship	Marketing	Research Ability, Organization
Business Structure	Product/Service	Creativity/Social Sensitivity
Communication	Name/Logo	Teamwork, Creativity
Social Awareness	Business Plan	Calculus, Sense of economy
Information	Loan from Bank	Calculus, Responsibility
Independence, Moral	Buy Material	Cost Awareness
	Manufacturing	Time Management, Teamwork, Manufacturing
	Advertisement	Power of Expression, Imagination
	Sales	Cooperation, Responsibility
	Close the Book	Calculation
	Profit Sharing	Success & Failure, Experience, Confidence, Achievement, Economic Activities contribution

2004/8/27 © Takeru Oe & Selfwing Inc. 19

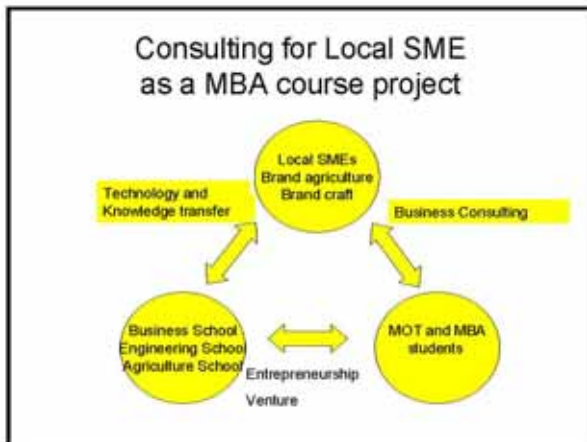
Entrepreneurship Course at Waseda Business School

Learning from Helping

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**Entrepreneurship Course
at Waseda Business School**
Objectives of the Course

- Turn a breakeven company into a profitable company within a short time
- Develop a vision and a growth scenario for micro-company to make a public company
- Learning from helping

**Comprehensive Agreement between
Waseda University and Sumida-ward,
Tokyo**

Definition of SME in Japan

- SME
 - Manufacturing company: less than 300 employees, or less than capital 300 Million yen
 - Retailing company: less than 50 employees, capital 50 million yen
- Micro Business (unofficially)
 - Less than 20 employees

Hamano Products, K.K.

20 employees company
Currently a 250 million yen breakeven operation
Sheet metal works as a subcontractor

**Sample Work of Hamano
Products K.K.**

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Problems Related to The Metal Processing Industry in Japan

- The industry consists mainly of SME companies
- Experienced decline in both numbers and sales during the last ten years
 - Customers have shifted to overseas operations
 - Competition with lower-priced overseas companies

Observations at Hamano Products K.K

- Orders received by fax, mail, direct
- Small repeat orders
- Short-notice orders
- Limited employees can input data into CAD
- Limited employees can do quotations and slow quotations
- High turnover of employees: no technology accumulation
- High defective fraction: 2% to 10%
- No cause analysis of failure to receive an order
- No standard Job Work Instructions
- No standard delivery method
- Very unorganized workplace
- No profit management
- A six-day work week
- Overtime payment is almost equal to monthly salary

Five Growth Strategies

Leas	Strategy	Strategie Tool
1 Customers	Improve the customer's experience	Consumption chain analysis
2 Products and offerings	Improve the offerings	Attribute mapping
3 Key metrics	Redefine profit drivers	Unit of business analysis
4 Industry shifts	Exploit industry shifts	Industry shift framework
5 Emerging opportunities	Enter new markets	Tectonic triggers framework

MarketBusters HBSP 2005 Rita McGrath and Ian MacMillan

Strategy 1

Improving Customer Experience with Offerings

- The website was designed to help the large company design engineers complete the order-purchase transaction – including researching, price negotiation, and delivery – online.

Strategy 2
Improving Product Offering

Main customers: Large manufacturers directly		
Nonnegotiable	Differentiator	Exciter
Fast and accurate delivery. Accurate delivery and high quality. Obtain ISO14000	Introducing the solutions for the difficult questions	Fast and standardized extraction
Tolerable	Dissatisfier	Enragor
High price	Limited technology	
So What	Parasit	
Process and behavior of employees	ISO 9000	

Strategy 3

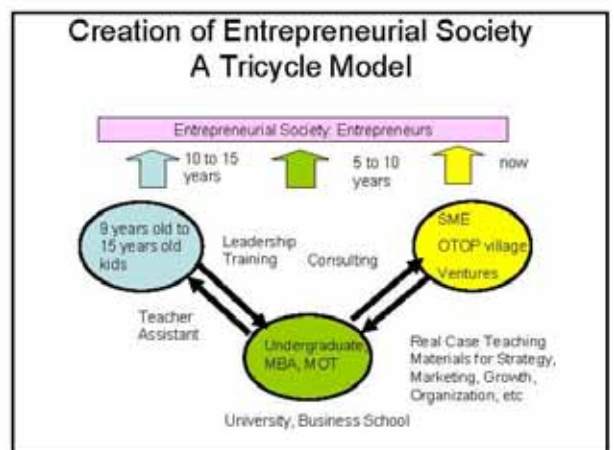
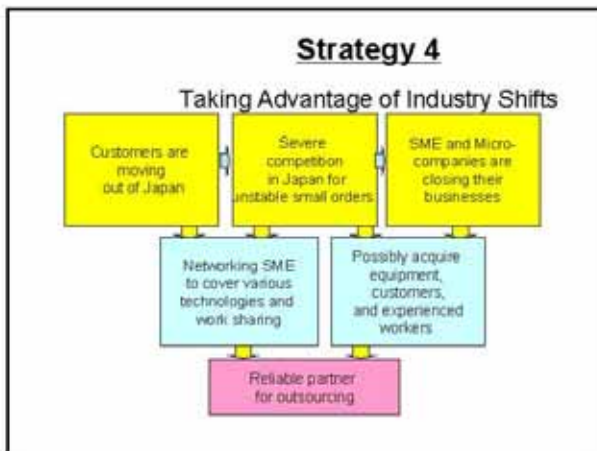
Modifying the Business Unit

- From the sales of metal processing work to the sales of assembled finished products and consulting fees from consulting work.
- Change of a very low profit rate of metal processing work to higher profit rate of consulting and assembly work.

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"Tricycle Model to Create an Entrepreneurial Society"



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Dr. Takeru Oe

“Tricycle Model to Create an Entrepreneurial Society”

Entrepreneurship in Asia

- Entrepreneurship education projects in
 - 2003 Thailand: Mae Fah Luang University
 - 2004 Cambodia: National University of Management
 - 2005 Malaysia: UKM (University Kebangsaan Malaysia)
- => An effective, novel approach to promote local business involving a local intellectual center (university) as the core participant, therefore at the same time:
 - Educate students & enhance their entrepreneurial mind and spirit
 - Promote local industries

New challenges:

making a text book for kid-entrepreneurs

- The Ministry of Education, Culture, Sports, Science and Technology is funding a project to create a *text book* on entrepreneurship for the Asian region to develop “kid-entrepreneurs”
- Text book would help education institutes to develop a program for the young, flexible generation to learn an entrepreneur’s creative and practical way of thinking
- Implementation schedule:
 - 2006 Thailand
 - 2007 Vietnam

Thank you!

tohe@waseda.jp

Mr. Stephen Paterson: “*Enhancing Competitiveness of Urban & Rural SME’s through the develop of Entrepreneurship Programs: Experiences from Cambodia*”

Enhancing Competitiveness of Urban & Rural SME's through the develop of Entrepreneurship Education Programs: Experiences from Cambodia

by: Stephen Paterson
Advisor / Lecturer
National University of Management

What is Entrepreneurship Education?

Entrepreneurship Education Programs include:

- University lecturers and students working with existing SME's to improve their overall management and operations (e.g. website design, book-keeping, marketing, product development, etc.).
- University lecturers and students preparing business plans for existing businesses who are seeking bank financing to expand their businesses.
- University lecturers and students developing new business plans for new ventures.
- University lecturers and students working with village communities (One Village One Product)!

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What is Entrepreneurship Education?

- Entrepreneurship education is not just for Business students!
- It is also for students from other university faculties such as Engineering, IT, Agriculture, Medicine, Tourism, etc.

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Why is Entrepreneurship Education Important?

- Importance of linkages between universities and the private sector.
 - Michael Porter's concept of Cluster Development
 - Examples: Silicon Valley, Wine Industry in California, fashion industry in Italy (universities located in these areas develop highly specialized programs to support these developing industries or clusters.)

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Benefits of Entrepreneurship Education (University)

- Students learn from real experiences.
- Lecturers gain experience in consulting.
- Universities benefit from improved curricula (Business case development)
- Employment: Students gain experience which makes it easier to find employment.
- New Business Creation: Students are encouraged to start new businesses.

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Benefits of Entrepreneurship Education (SME)

- Enterprises learn how to prepare a business plan, marketing plan, etc.
- Enterprises gain knowledge in key areas such as marketing and finance.
- Enterprises establish new linkages with universities and other agencies and institutions via workshops, etc.

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“Enhancing Competitiveness of Urban & Rural SME’s through the develop of Entrepreneurship Programs: Experiences from Cambodia”

Entrepreneurship Education Programs at the National University of Management in Phnom Penh

- 1994 to 1998: Partnership with Georgetown University to implement a Small Business Training Program to prepare business plans for new ventures.
- 2002 to 2004: Partnership with Fisk University & Tennessee State University to train faculty in the area of entrepreneurship.
- 2004 to Present: Partnership with Asia SEED from Japan, involving students working with silk handicraft producers and palm products as part of a One Village One Product approach.

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Entrepreneurship Education Programs at the National University of Management in Phnom Penh

- 2005 to Present: Partnership with AOTS, Japan to help train local faculty in Entrepreneurship Education and curriculum development.
- 2005 to 2006: Partnership with TOTAL to encourage faculty and student teams to help rural energy producers develop business plans for expansion.
- 2006: Partnership with McKinsey & Company to encourage students to develop business plans and also to encourage them to work with existing SMEs.

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Asia SEED Project

- Silk Products
 - Students worked with village handicraft producers (One Village One Product)
 - Marketing: Students contacted retail stores in Phnom Penh and Siem Reap.
 - Branding: Students developed community brand name, packaging & labeling.
 - Linkages with local tourism destination.
 - Product Development: Students introduced new designs, natural colors, etc.
 - Website: Asia Seed

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PHNOM CHISOR SILK

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Asia SEED Project

- Naga Palm Wine & Vinegar Enterprise
 - Marketing: Consumer taste testing for tourist market in Siem Reap
 - Contact restaurants and hotels in Siem Reap and Phnom Penh to promote product. (esp. utilizing Alumni)
 - Label re-design
 - Product development: Chemical testing in Thailand
 - New Product recommendations: Palm Sugar

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“Enhancing Competitiveness of Urban & Rural SME’s through the develop of Entrepreneurship
Programs: Experiences from Cambodia”



Other Activities

- **Khmer silver-smith villages**
 - Student field trip and survey
 - Problem: Marketing (Tourists)
- **Lotus Pond**
 - Arts and Crafts
 - Wood Carvings (introduce new designs and styles)
 - Future Strategy for expansion!



McKinsey Project

- **Preparing new business plans for:**
 - Bakery, cafe, restaurant, etc.
 - Agribusiness: Cassava Plantation
 - Rural Energy
- **Special Advertising Project with Green Spot of Thailand to promote soy-milk drink to university students.**
- **Field trips & Guest Speaker Series.**



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Regional Experiences

- **Laos (Traditional Handicrafts)**
 - National University of Laos
- **Vietnam (Craft Village Tourism)**
 - National Economics University
- **Malaysia (Food Industry)**
 - University Kebangsaan Malaysia (UKM)

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Regional Experiences

- Working with Prof. Takeru Ohe from Waseda University and Prof. Sunarta from Mae Fah Luang University to introduce Entrepreneurship Education (esp. Attribute Map and Consumption Chain) to faculty and students in Cambodia, Laos and Malaysia.
- Importance of Attribute Map and Consumption Chain to better understand the needs of customers.

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The Attribute Map

	Basic	Discriminators	Energizers
Positive	Nonnegotiables	Differentiators	Exciters
Negative	Tolerables	Dissatisfiers	Enragers
Neutral	So-what's	Parallels	

Sources: McGrath & Macmillan, Market Busters, HBS Press, 2005.
Lecture by Prof. Takeru Ohe, Waseda University, Japan.

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Enhancing Competitiveness of Rural and Urban SMEs

- **Importance of linkages among different organizations (e.g. universities, government and the private sector).**
- **For example: Craft Village Tourism**
 - Artisans and local government officials should work with tour agencies, university students, etc. to promote their destination.

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Horizontal vs. Vertical Collaboration

- Traditional approach Vertical Collaboration (e.g. top / down, within an organization)
- **New Approach: Horizontal Collaboration**
 - People working together across different organizations (e.g. universities working together with government and the private sector).
 - Teams should be created which include faculty and students from different universities, government officials from different ministries, etc.)

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*“Enhancing Competitiveness of Urban & Rural SME’s through the develop of Entrepreneurship
Programs: Experiences from Cambodia”*

Lessons Learned

- Students are highly motivated and represent an untapped resource.
- Need for more horizontal collaboration among university faculties (e.g. student teams should consist not only of business students but also engineering students, agriculture students, etc.)
- Need for more horizontal collaboration among government ministries and departments plus international companies, NGOs and micro-finance institutions.

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Lessons Learned

- Marketing (understanding the needs of customers) and IT continue to be the main weaknesses of most SME's in Vietnam, Cambodia, and Laos.
- Lack of a Customer/Product Vision!

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Dr. Sunanta Fabre: “Guidelines on ‘The Development of One village One Product to Foreign Markets’”

**Guidelines on
“The Development of One
village One Product to
Foreign Markets”**

Sunanta FABRE, Ph.D

Sunanta Fabre-MFLU-06 1

Sunanta FABRE Ph.D.

- 2002- Mae Fah Luang University
- 1995-2001 Thailand, Thammasat University and Saint John’s University
- 1980-1995 - Researcher on Southeast Asian Civilisations
- SME Management in FRANCE
- 1980 Ph.D. from University of Paris VII and Ecole Pratique des Hautes Études, FRANCE
- 1977 DEA from University of Paris VII, FRANCE
- 1975 M.A. from François Rabelais, Tours, FRANCE
- 1972 B.A. from Silpakorn University, Thailand

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**Developmt of
OTOP Product**

- Quality
- Design

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**Quality of the Process of Production
EX. Textile Product :**

```

    graph TD
      Marketing1[Marketing] --> Design1[Design]
      Design1 --> RawMat[Raw Mat.]
      RawMat --> Dying[Dying]
      Dying --> Weaving[Weaving]
      Weaving --> Fabric[Fabric]
      Fabric --> Promotion[Promotion]
      Promotion --> Accounting[Accounting]
      Accounting --> Finance[Finance]
      Finance --> Clients[Clients]
      Clients --> Marketing2[Marketing]
  
```

Design for local market, national market and foreign market

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The university plays a role as an educational response to the growing commercialization of OTOP products.

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Background

This Guidelines is a follow-up to my researches with Asia-SEED and Ministry of Industry of Thailand from years 2002 to 2005 on “The Monitoring and Evaluation Model of OTOP Product Development in Northern Thailand” and then in GMS countries.

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The objective of my research work was to elaborate guidelines based on the needs of local business owners and to seek for the real problems in developing local products to wider markets

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Experts from international organizations, officers of government, universities, local business owners, students, quality control sector and professional bodies work together

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The Guidelines were conceived as being voluntary and non-binding in character and as providing orientation for developing local capacity, national capacity and international cooperation in this area.

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The Guidelines as a tool conduct successfully The project

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Five stakeholders in local product development :

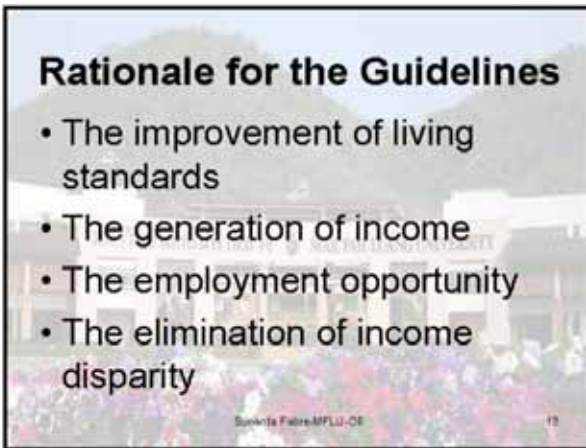
- Governments
- Higher education institutions
- Local business owners
- Professional bodies
- Quality assurance and accreditation bodies

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Introduction

The Guidelines aim to encourage the five stakeholders and enhance the understanding of the importance of quality in local product development.

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Rationale for the Guidelines

- The improvement of living standards
- The generation of income
- The employment opportunity
- The elimination of income disparity

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The situation of OTOP product development in the present : a stagnant due to

- Insufficient production technology and quality
- Lack of ideas for design;
- Lack of access to financial resources for additional investment;
- Insufficient marketing and undeveloped distribution channels

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- Lack of leadership and skill labour;
- Undeveloped management system;
- Lack of accounting system including bookkeeping and IT knowledge;
- Lack of comprehensive frameworks for coordinating various initiatives at several levels

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There is therefore a need for additional national initiatives, strengthened international cooperation and networking , and more transparent information on procedures and systems of quality control and the recognition of qualification.

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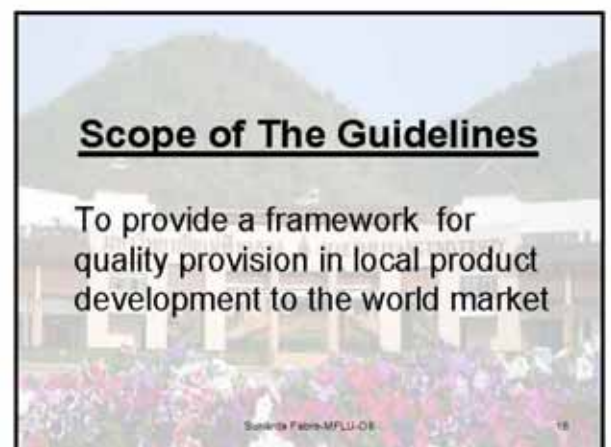
Need of HRD Program for the entrepreneurship education

The university must play the essential role in the local product development

EX

- Creation Guidelines for quality of - products
- Creation of HRD Program
- Etc.

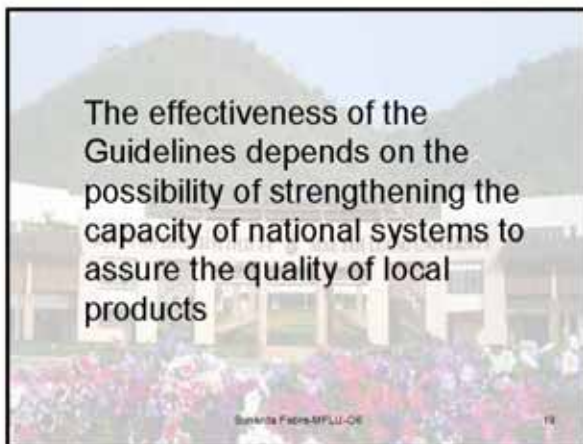
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Scope of The Guidelines

To provide a framework for quality provision in local product development to the world market

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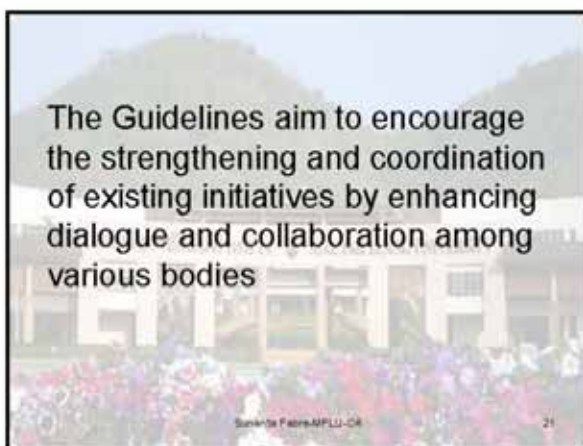
The effectiveness of the Guidelines depends on the possibility of strengthening the capacity of national systems to assure the quality of local products

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The academic staff and non-governmental organizations can support to the ongoing capacity – building and improve local products to the world market by strengthening international cooperation for quality provision

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The Guidelines aim to encourage the strengthening and coordination of existing initiatives by enhancing dialogue and collaboration among various bodies

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Local product development stakeholders :

1. Governments;
2. Higher education institutions/providers
3. Local business owners;
4. Professional bodies;
5. Quality assurance and accreditation bodies.

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1. Governments

- Establish the fair and transparent system of selection products;
- Establish the fair and transparent system of funding for stakeholders;
- Establish or encourage the establishment of a comprehensive capacity for reliable quality assurance and accreditation of local products to the world market provision;

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- Consult and coordinate
- Provide easily accessible information on the criteria and quality standards
- Establish Creative Innovation Center Development
- Develop agreements of each country's qualifications
- Contribute to efforts to improve the accessibility at the international level of up-to-date

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2. Higher education institutions/providers

- Ensure the comparable quality
- Recognize that quality teaching and research is made possible to develop the quality of local products – a strong support of the president of university and academic freedom
- Develop, maintain or review current internal quality management system

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- Consult competent quality assurance and accreditation systems of the countries of consumers
- Share good practices between networks at national and international levels
- Develop and maintain networks and partnerships

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- Use codes of good practice such as "Recommendation on Criteria and Procedures for the Assessment of Foreign qualifications" (UNESCO/Council of Europe)
- Provide accurate information on the criteria and procedures of external and internal quality assurance.
- Ensure the transparency of the financial status of the research projects

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3. Local business owners

- Be involved as active partners
- Take active part in promoting quality provision

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4. Professional bodies (or governmental ministries)

- Develop information channels of qualifications Information should be accessible to local people.
- Establish and maintain contacts between local business owners and higher education institutions to improve qualification assessment methodologies

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- Establish, develop and implement assessment criteria and procedures for comparing programmes and qualifications to facilitate the recognition of qualifications
- Improve the accessibility at the national level and international level of up-to-date

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5. Quality assurance and accreditation bodies

- Ensure that our quality assurance and accreditation arrangements of with the international level of quality assurance.
- Ensure that standards and process are transparent
- Sustain and strengthen the existing regional and international networks.

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- Establish links to strengthen the collaboration between universities and local business owners to build the understanding
- Provide accurate and easily accessible information on the assessment standards, procedures, and effects of the quality control.

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Sample of course syllabus for textile product development I propose :

*Duration : 1 year
(440 hours)*

- History of textile. Weaving. Diversity of fibers and the procedure of weaving ----- 40 hours
- Techniques of weaving The quality of production Diversity of clothes ----- 40 hours

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- Design motifs ----- 30 hours
- Using colors – Colors matching. Colors and Culture of people in the world ----- 30 hours
- Techniques of dying and quality of dying----- 30 hours
- Product design: Design and culture of people in the world ----- 30 hours

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- Business on textile product Preparing yourself to be entrepreneur ----- 58 hours
- Local business entrepreneurship program ----- 62 hours
- Practice : Realize one product (15 days) ----- 120 hours

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Design

Products design: The design of a products is the key to drive the success of the products and the designers continue to create innovative ranges that attract global attention.

Packaging design: The design of a package is the first a customer sees. They react immediately to package shapes, and are influenced by them when making buying decisions.

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Tourism

Hosts

- Phu Vinh villagers, Ha Tay Province (Bamboo & Rattan)
- Van Lam villagers, Ninh Hai, Ninh Binh Province (Embroidery)

Visitors : Tourists from Europe

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• What we have to fabric for European market?

• How should we know what they use and what they like?

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Design means

- Form and size
- Color
- Motif
- Material

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Two objectives which should be focused on designing:

1. Utilities / Market
2. Decoration / Art / Museum

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Three points of design strategies to be aware:

1. Design by preserving traditional patterns
2. Design by creating the new patterns
3. Design by modifying traditional patterns

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To sell more products to foreign tourists, the villagers must change or modify their designs to make them more suitable for the users.

They should have a diversity of products which correspond to the markets or potential markets.

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Dr. Sunanta Fabre

“Guidelines on ‘The Development of One village One Product to Foreign Markets’”

The idea comes from the knowledge about the way of life of their potential markets (culture, habits, profession, etc.)

For example:

What the foreign tourists use in their bedroom?

- Form / size
- Color
- Motif
- Material

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Item	Price
Handkerchief	100.00
Handkerchief	150.00
Handkerchief	200.00
Handkerchief	250.00
Handkerchief	300.00
Handkerchief	350.00
Handkerchief	400.00
Handkerchief	450.00
Handkerchief	500.00
Handkerchief	550.00
Handkerchief	600.00
Handkerchief	650.00
Handkerchief	700.00
Handkerchief	750.00
Handkerchief	800.00
Handkerchief	850.00
Handkerchief	900.00
Handkerchief	950.00
Handkerchief	1000.00

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Sunanta Fabre-MFLU-06 46

Suggested strategy in design is to avoid producing the same patterns in the village:

ONE FAMILY, ONE (NEW) PRODUCT

Sunanta Fabre-MFLU-06 47

Textile in the North of Thailand

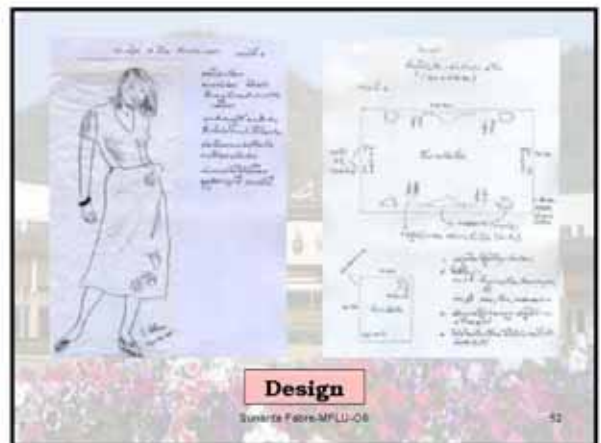
Daily dress

Sunanta Fabre-MFLU-06 48

Session 3-1: “Manufacturing and Marketing of Traditional Arts and Crafts
-Entrepreneurship Education Projects-”

Dr. Sunanta Fabre

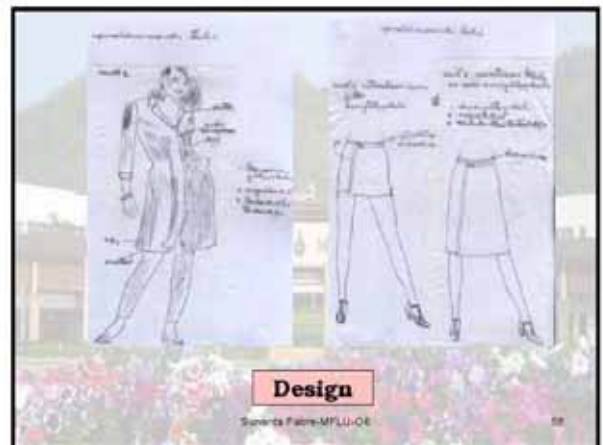
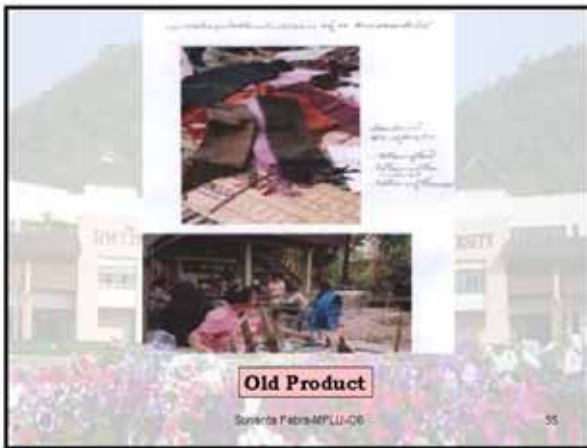
“Guidelines on ‘The Development of One village One Product to Foreign Markets’”



Session 3-1: "Manufacturing and Marketing of Traditional Arts and Crafts
-Entrepreneurship Education Projects-"

Dr. Sunanta Fabre

"Guidelines on 'The Development of One village One Product to Foreign Markets'"



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*Session 3-1: “Manufacturing and Marketing of Traditional Arts and Crafts
-Entrepreneurship Education Projects-”*

Dr. Sunanta Fabre

“Guidelines on ‘The Development of One village One Product to Foreign Markets’”



Session 3-1: Q & A

Question:

My friend in high school is also an entrepreneur, and is making more money than myself - so what am I doing wrong?

Also I would like to ask whether the panelists have ever been an actual entrepreneur themselves, and would like to ask them to share their good experiences in this regard.

Dr. Oe replied to the first question that perhaps the questioner's dream was not to make too much money but to enjoy life whereas his friend is determined to make more money. Dr Oe himself commented that he himself prefers freedom to money, therefore as an entrepreneur perhaps a failure, but he enjoys what he is doing.

Mr. Paterson replied in respect to the second question that the entrepreneurship education program gives the students and teachers the opportunity to actually have this experience with the community, where the students not only teaches the local businessmen the technical skills in business but also in return experiences real business. So it is also a learning process for them.

Dr. Sunanta replied to the second question that yes, she is an entrepreneur, and commented that it is important to spend more time to observe, with not too much education or analyzing.

SESSION 3-2: Panel Discussion on "Manufacturing and Marketing of Traditional Arts and Crafts -Case Studies of APEC member Economies-"

Introduction of successful case studies of APEC member Economies related to the promotion of traditional local industries

- Mr. Komank Redana, Entrepreneur, Yayasan Mitra Bali, (foundation), member of IFAT (International Federation for Alternative), Indonesia
- Mr. Ismail Mat Amin, Deputy Director General, Malaysian Handicraft, Malaysia



Mr. Redana



Mr. Amin

Mr. Komank Redana: *“The Practice of Fair Trade at Mitra Bali”*



The Practice of Fair Trade at Mitra Bali

By Agung Alit

Background

The organization Fair Trade originated around 1960 in the Western country of The Netherlands. The objective was to change the impact of the world free market known as free trade, particularly the style of free trade promoted by the World Trade Organization (WTO).

The spark for fair trade was struck within the intellectual, activist circle of the LSM, a group of spiritual background concerned about business ethics. This group believed that free trade would profit ordinary people rather less than holders of capital, and that the latter would be mainly from the wealthier nations. The most vulnerable to change would be those in ordinary day-to-day production (farmers, fishermen, craftsmen, hunters) and in both often-overlooked groups such as the women of poor countries and also the see better-known Southern nations: of Africa, Latin America, and parts of Asia such as Indonesia. This situation was being brought about via organizations of world business such as the WTO that mainly promote the interests of countries powerful, rich, and capable in many fields. A style of thinking was being born, midwived by the WTO, that would increase the importance of the nations wealthy in high technology. Please do not forget that every policy tends to further primarily the interests of those who sponsor it. Thus was begun the group Fair Trade to unite those with skills and knowledge that lay outside those promoted by the WTO and did not necessarily stand to benefit from the process.

The process of globalization belongs to no one and anyone may organize to influence it as they fit. To this end the fair trade movement is growing throughout the world. The practice of fair trade may become an international standard, or perhaps even the international standard.

The Meaning of Fair Trade

Before we define fair trade, I would like to explain about the umbrella organization of the fair trade movement. To this end the International Fair Trade Association (IFAT) is now at work in 61 countries and is actively growing. The IFAT is now centered in Culemborg, The Netherlands, and functions to actively campaign and lobby for the market concepts of its members throughout the

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world, who are from Africa, Latin America, Asia-Pacific and advanced countries of Europe and American. In these respective regions came into being forums for fair trade that are associated with IFAT. Indonesia at this time has entered the Asia Fair Trade Forum (AFTF), whose members include Thailand, Philippines, Vietnam, India and Sri Lanka. The office of the AFTF now resides in Philippines. IFAT and AFTF renew their association every two years. Together they monitor international business practices, train business people in the practices of fair trade, and build consumer awareness of the quality products resulting from the fair trade model as well as identifying products of exploitation. Products of members of fair trade are food, arts, and crafts produced at home Mom-and-Pop operations. As an umbrella organization IFAT makes the following statement:

Fair Trade is a trading partnership, based on dialogue, transparency, and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers especially in the South.

Those who would like to learn more are welcome to the IFAT web site at www.ifat.org.

Principles of Fair Trade

Those practitioners of business who choose the fair trade model must in the workplace implement at least these nine principles, which are:

- Create opportunities for employment and income in the producer group particularly to relieve poverty
- Our business model is based on transparency and accountability
- Capacity building: teaching skills in production, design, and marketing to producers so they might enlarge their own markets and be independent of the fair trade organization
- Campaign together for fair trade
- Fair payment to the producer
- Working conditions that are healthy and safe
- Gender equity, as men and women should be treated equally
- No child labor
- Care of the environment, not using old-growth wood or toxic chemicals and giving attention to all aspects of human life and ecology. Production that is sustainable in this world.

All of these principles are included in every purchase order (PO) that is accepted by Mitra Bali,

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usually in the upper-right-hand corner.

The Practice of Fair Trade at Mitra Bali

Mitra Bali is an organization practicing fair trade since 1993. After demonstrating allegiance to the principles of fair trade Mitra Bali was accepted as a member of IFAT in 2001, thus automatically becoming a member AFTF as well. As a member of IFAT Mitra Bali is obliged to follow the principles of fair trade show above.

Why Does Mitra Bali practice fair trade?

We begin with some short stories that arose from the group of producers – farmers, fishermen, laborers, and suppliers -- in Bali. All their stories are unhappy, especially supplying to hotels, restaurant, art shop, and so forth. Bali is very well known as the Island of a Thousand Temples and is an international center of tourism with five-star hotels. The producers had a dream being suppliers to these places, but the dream fell flat. Supplier Wayan Jenggo of Ubud said, “The first order for one to two million rupiah went smoothly, but when the order was 17 million neither the foreign buyer or local partner has yet paid.” Made Kardi is a supplier of elephant grass roofs. He said, “My dream to be a supplier has totally collapsed when it came time for payment. It is hard, so hard.” The same problem is also faced by the farmers and fishermen, difficulties in payment when dealing with a big company with complicated bureaucracy when asking for cash payment. So the small producer becomes smaller and more marginal and the rich take advantage and become richer. This bitter reality encouraged Mitra Bali to implement fair trade to create a fair business climate for the producers, especially to bring justice to the smaller producers.

Briefly I can inform you about the concrete action performed by Mitra Bali in translating fair trade principles in the handicraft sector of Bali. We meet with the producers, hold workshops on design and product development, and offer the resulting products to buyers all over the world. If the buyer places an order Mitra Bali will follow up by contacting producers and making a dialog about the raw material, production capacity, and scheduling. We explain to the producer about fair trade and the buyer, which country they come from and their requirements. After this transparency dialog Mitra Bali pays a 50% deposit. Once the goods are delivered to our warehouse the balance is paid in cash. For the social activities Mitra Bali has begun a program of planting of blalu wood at Abuan village located under the shadow of Batur volcano to commemorate World Fair Trade

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Day. We call this program Bali of a Thousand Blalu.

We see Mitra Bali as a melting pot and source of information about many things. When producers visit Mitra Bali there is dialog not only about business but also social, political, ecological, spiritual, and even sexual matters. We want to build the image of Mitra Bali as a good and reliable partner in all sorts of activities, not only business.

The main attention of Mitra Bali in implementing fair trade is payment and treatment of the workers in a workplace that is safe and healthy, open with fresh air. To make a sustainable order of things, Mitra Bali has established a workshop called Bengkel Kerja Fair Trade (BKFT) which has a significant function to analyze the fair price and to respond quickly to develop a new design and product when there is a sample request by the buyer. When the buyer places an order we work to train and assist the producer in the manufacturing process and ensure they understand export quality, and as a reference for establishing a safe, healthy workplace. BKFT works to ensure a steady supply of product by distributing production fairly between the producers but without resorting to in-house production, as would not benefit the small producer in the villages of Bali.

Doing fair trade is not always easy, especially the principle of sustainability as market trends change rapidly. Mitra Bali believes that to help the producers with a steady stream of orders we have to enlarge the market and has opened a local shop. We have to be active and creative in producing new designs and searching for market potential.

Conclusion

Although fair trade came from the Western countries, it can exist equally well in Bali. Fair trade is not only a guideline in business but also as a moral ethic for any organization -- government, NGO, social – to ameliorate the side effects of free trade, of killing the spirit of the producer in Bali in particular and Indonesia in general. The proponents of free trade are powerful, smart, elegant, and hospitable, and offer a tempting promise for big increases in the welfare of society. To us, free trade is a Machiavellian attempt to grab as much as possible for the few. Remember, the struggle of the fair trade movement is against unfair business relations between rich countries and poor countries. Let's wake up together our awareness and brotherhood in diversity which will disappear if hit by the tsunami of free trade! Thank you to consumers of fair trade products wherever you are on this planet.

Mr. Ismail Mat Amin: “Manufacturing and Marketing of Traditional Crafts – Malaysian Perspective”




APEC/SME SEMINAR ON SUPPORT FOR LOCAL AND COTTAGE INDUSTRIES
HANOI, VIETNAM, 22 - 23 SEPTEMBER 2006

**MANUFACTURING AND MARKETING
OF TRADITIONAL CRAFTS –
MALAYSIAN PERSPECTIVE**

PRESENTED BY
MALAYSIAN HANDICRAFT DEVELOPMENT CORPORATION
MINISTRY OF CULTURE, ARTS AND HERITAGE
MALAYSIA




Malaysian craft is a combination of old and new elements, culture and economy, traditional and contemporary and form and functionality.




DEFINATION

The craft industry is defined as ‘a group of individuals and companies involved in the design, production and/or marketing of products which display unique and distinctive characteristics of design, technique and presentation, where useful artistic and decorative objects are made completely by hand or using only simple tools, which can be utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional, religiously and socially symbolic and significant’.




The Malaysian Government through Malaysian Handicraft Development Corporation (MHDC), an agency under the auspices of the Ministry of Culture, Arts and Heritage has taken various initiatives to ensure sustainable development of the craft industry.




Craft Scenario in Malaysia

Craft Producers by Category		
Crafts Category	No	%
Forest-Based	1,969	56.6
Textile-Based	783	22.5
Metal & Mineral-Based	279	8.0
Earthen-Based	191	5.2
Miscellaneous	268	7.7
Total	3,480	100.0






Business Profile of Craft Producers

Legal Status of Business Entity	Respondents	%
Sole proprietor	2,999	93.5
Partnership – family	101	3.1
Partnership – partners	56	1.7
Private limited	37	1.2
Cooperative	6	0.2
Limited	3	0.1
Others	6	0.2
Total	3,208	100.0

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“Manufacturing and Marketing of Traditional Crafts – Malaysian Perspective”

Business Category by Craft Sectors - 2004

2004						
Sector	Micro	Small	Medium	Large	No.	%
Textile	605	172	6	-	783	22.5
Forestry	1,889	80	-	-	1,969	56.6
Earthen	126	52	3	-	181	5.2
Metal & Mineral	242	35	1	1	279	8.0
Others	254	14	-	-	268	7.7
Total	3,116	353	10	1	3,480	100.0




Manufacturing of Crafts

Craft Entrepreneur Development Program under MHDC initiated to boost the manufacturing of crafts. The core activities under this program as follows:-

- i. **Satu Daerah Satu Industri (SDSI) (One District One Industry)**
- ii. **Incubator Scheme**
- iii. **Up-grading of Craft Entrepreneur**

Satu Daerah Satu Industri (SDSI) (One District One Industry)






**PROJECT SDSI - PANDANUS WEAVING/PLAITING
KG. CHERATING, KUANTAN, PAHANG.**

Satu Daerah Satu Industri (SDSI) (One District One Industry)






**PROJECT SDSI - BAMBOO
KG. PICHIN, SERIAN, SARAWAK**





Satu Daerah Satu Industri (SDSI) (One District One Industry)






**PROJECT SDSI - PAHANG HANDLOOM
KG. PULAU KELADI, PEKAN, PAHANG**

Craft Incubator Scheme

**INCUBATOR CENTRE - CERAMIC
MHDC PERAK BRANCH**

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Assistance to Craft Entrepreneur

- **Financial Assistance**
The Malaysian government and Banking institutions provide financial assistance to the small and medium enterprise including craft enterprise.
- **Types of Technical Assistance**
 - Product Development and Packaging
 - Marketing
 - Management i.e. accounting etc.
 - Production Orientation




• **Support Services for Craft Entrepreneurs**

- Facilitation and Consultancy Services,
- Productivity and Quality Enhancement,
- Common Facilities Services,
- Craftsmanship and Entrepreneurship Development Services,
- Production Premises (Incubators).




MARKETING OF CRAFTS

MHDC becomes leading agency in marketing and promotion of craft. Under Marketing and Promotion Program for craft, there are 3 core activities, namely :-

- i. Domestic Promotion
- ii. International Promotion
- iii. E-Commerce



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MARKETING OF CRAFT

Ministry of Culture, Arts and Heritage

.. Craft Sales

i. Domestic sales

Craft Sales by Products, 2003-2004

Products	Year			
	2004		2003	
	USD	Share (%)	USD	Share (%)
Metal & Mineral-Based	20,278,280	38.3	18,029,480	37.5
Textile-Based	16,110,723	30.5	14,584,627	30.4
Earthen-based	8,379,995	15.9	7,867,374	16.4
Forest-Based	6,409,031	12.1	6,105,586	12.7
Others	1,692,119	3.2	1,449,121	3.0
Total	52,870,148	100.0	48,036,188	100.0

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.. Craft Sales

ii. Imports and Export of Crafts


Top Ten Countries of Exports (Jan-Oct 2005)

Textile-Based Craft Products		Forest-Based Craft Products		Earthen-Based Craft Products		Metal and Mineral-Based Craft Products		Miscellaneous Craft Products	
Country	Est. Craft Value (USD) million	Country	Est. Craft Value (USD) million	Country	Est. Craft Value (USD) million	Country	Est. Craft Value (USD) million	Country	Est. Craft Value (USD) million
USA	8.8	USA	9.6	USA	3.6	UAE	5.8	United Kingdom	0.9
United Kingdom	1.5	Japan	2.5	Singapore	1.9	USA	0.2	Singapore	0.6
Germany	0.5	United Kingdom	2.2	United Kingdom	1.6	Korea	0.2	Italy	0.6
Japan	0.4	Australia	1.9	Hong Kong	1.2	Thailand	0.2	Netherlands	0.3
Netherlands	0.2	Canada	0.8	Egypt	0.8	China	0.1	China	0.3
Canada	0.2	UAE	0.5	Sweden	0.8	Latvia	0.1	Germany	0.2
Cambodia	0.2	Saudi Arabia	0.3	Japan	0.4	Switzerland	0.1	Taiwan	0.2
France	0.2	China	0.3	Australia	0.4	Japan	0.1	India	0.1
Belgium	0.2	Hong Kong	0.2	Germany	0.3	Hong Kong	0.1	USA	0
Singapore	0.2	Belgium	0.2	China	0.3	Germany	0.04	Spain	0.06

Top Ten Countries of Imports (Jan-Oct 2005)



Textile-Based		Forest-Based		Earthen-Based		Metal-Based		Miscellaneous	
Country	Est. Craft Value (USD) million	Country	Est. Craft Value (USD) million	Country	Est. Craft Value (USD) million	Country	Est. Craft Value (USD) million	Country	Est. Craft Value (USD) million
China	1.0	China	1.6	China	0.4	China	0.6	China	1.8
Hong Kong	0.8	Poland	0.6	Japan	3.1	Hong Kong	0.2	UK	0.6
India	0.2	Indonesia	0.2	France	2.2	Singapore	0.1	Hong Kong	0.6
Bangladesh	0.1	Ukraine	0.2	USA	0.7	India	0.1	India	0.5
France	0.1	Germany	0.2	Thailand	0.6	France	0.1	Singapore	0.4
Thailand	0.1	Sweden	0.2	Indonesia	0.2	Italy	0.1	USA	0.4
Taiwan	0.1	Italy	0.1	Hong Kong	0.2	Nepal	0.1	Indonesia	0.2
Indonesia	0.1	Denmark	0.1	Korea	0.1	Ukraine	0.1	Australia	0.1
Italy	0.07	Czech Republic	0.1	Taiwan	0.1	United Kingdom	0.04	Thailand	0.03
Japan	0.07	Romania	0.09	Vietnam	0.1	Germany	0.03	France	0.03

Market Segmentation



Market Segments	Market Segmentation				Total	
	No of Producers					
	100% sold to:	Partly sold to:	No	%	No	%
Domestic tourists	216	3.7	1,681	28.6	1,897	32.3
International tourists	6	0.1	771	13.1	777	13.2
Local people	1,019	17.3	1,679	28.5	2,698	45.9
Company or Corporate	24	0.4	297	5.1	321	5.5
Government	4	0.1	184	3.1	188	3.2
Total	1,269	21.6	4,612	78.4	5,881	100.0

Channel of Selling

Channel of Selling Finished Craft Products		
Channels	Total Responses	%
Direct to customers	2,742	85
Direct to other wholesalers/distributors	1,326	41
Direct to retailers	327	10
Combination of the above channels	61	2
Total	4,456	138

ISSUES AND CHALLENGES

Issues and challenges exist at all levels of the craft industry. The critical issues and challenges as follows :

- matters relating to production,
- matters relating to research and development (R&D).
- matters relating to market and marketing,
- matters relating to human resource,
- matters relating to regulatory.

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CONCLUSION

Issues, problems and challenges faced by the industry in **manufacturing and marketing of traditional crafts** should be taken into consideration in the light of formulating strategies to ensure sustainable development of the craft industry.



THANK YOU

AUSTRALIA

Summary

Dr Hara commented that an opportunity such as this, to share experience among APEC and future APEC members might be very useful for further cooperation among economies, between academic and business sector, as well as government. It would be a very important issue for SMEs and local industries.



Welcome address at the Reception:



Mr. Izuru Kobayashi
Representative
AMEICC secretariat



Mr. Nguyen Viet Hung
Secretary
Phu Vinh Village Communist Party

Exhibition of traditional arts, crafts, village product

