

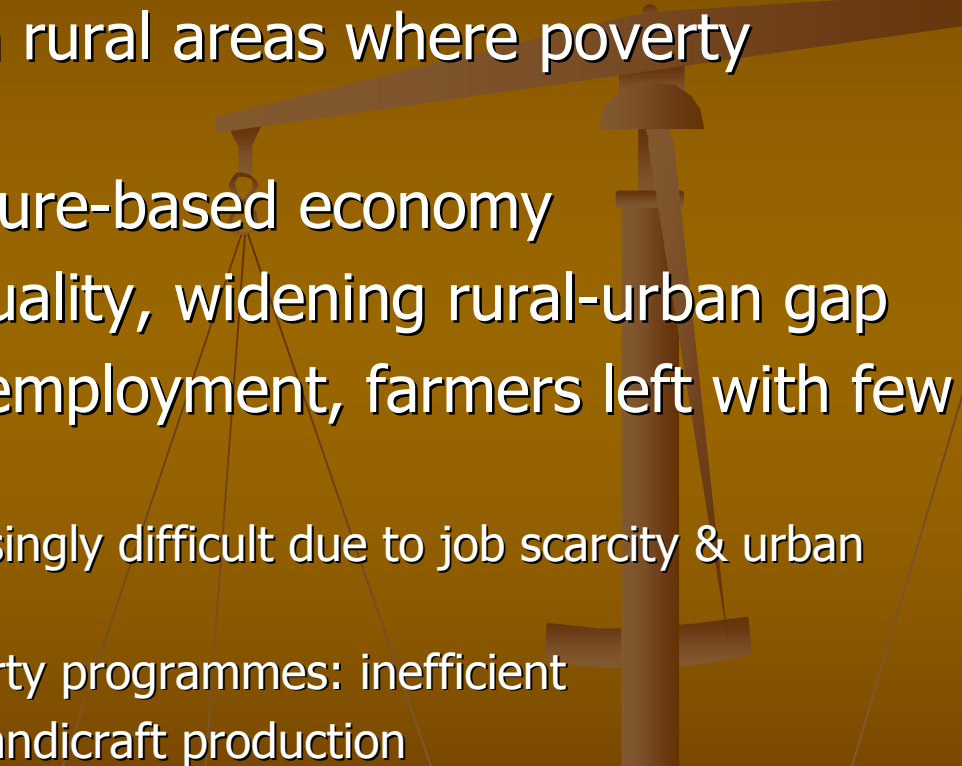


**Embedded Services for
Developing
Handicraft Production
by Farmers in northern
Vietnam**

Nguyen Thi Thu Huong

The case for intervention

The characteristics of rural Vietnam

- 77% Vietnamese in rural areas where poverty concentrates
 - Small-scale agriculture-based economy
 - Rising income inequality, widening rural-urban gap
 - Rising rural under-employment, farmers left with few options:
 - Move to cities: increasingly difficult due to job scarcity & urban overcrowding
 - Government-led poverty programmes: inefficient
 - Self-help: switch to handicraft production
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The case for intervention

Handicraft as an option

- Handicraft is a long tradition of VN
 - Diversified products across country
 - Insignificant economic sense in the past

 - The rise of VN handicraft in 1990s
 - VN handicraft new to the world, thus attractive
 - The role of SMEs: more dynamic, market-oriented than state-owned exporters
 - Handicraft industry found new life: pastime hobby becomes serious job, specialities become commodities
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BDS for VN Handicraft

The case for intervention

Handicraft as an option

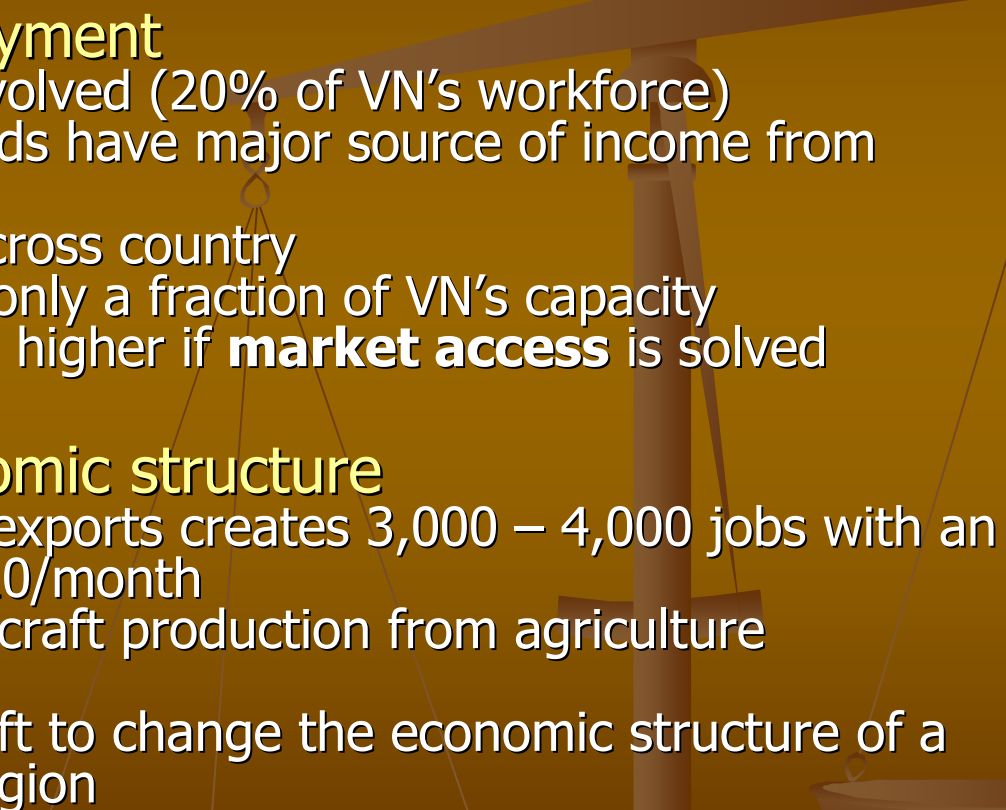
- The rise of VN handicraft in 1990s (cont'd): A statistical look

The Rise of VN Handicraft Exports



The case for intervention

Handicraft as an option

- **Handicraft and employment**
 - 130 million people involved (20% of VN's workforce)
 - 10% village households have major source of income from handicraft
 - 2,017 craft villages across country
 - These figures reflect only a fraction of VN's capacity
 - Figures could still rise higher if **market access** is solved
 - **Handicraft and economic structure**
 - \$1 million handicraft exports creates 3,000 – 4,000 jobs with an average income of \$20/month
 - Villages shift to handicraft production from agriculture production
 - Potential for handicraft to change the economic structure of a village or an entire region
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BDS for Handicraft Industry

Exporters as target of support

■ ILO initiative

- Gov. gives priority to rural dev.
- JICA, VCCI: primary concern is handicraft industry itself
- ILO: primary concern is farmers

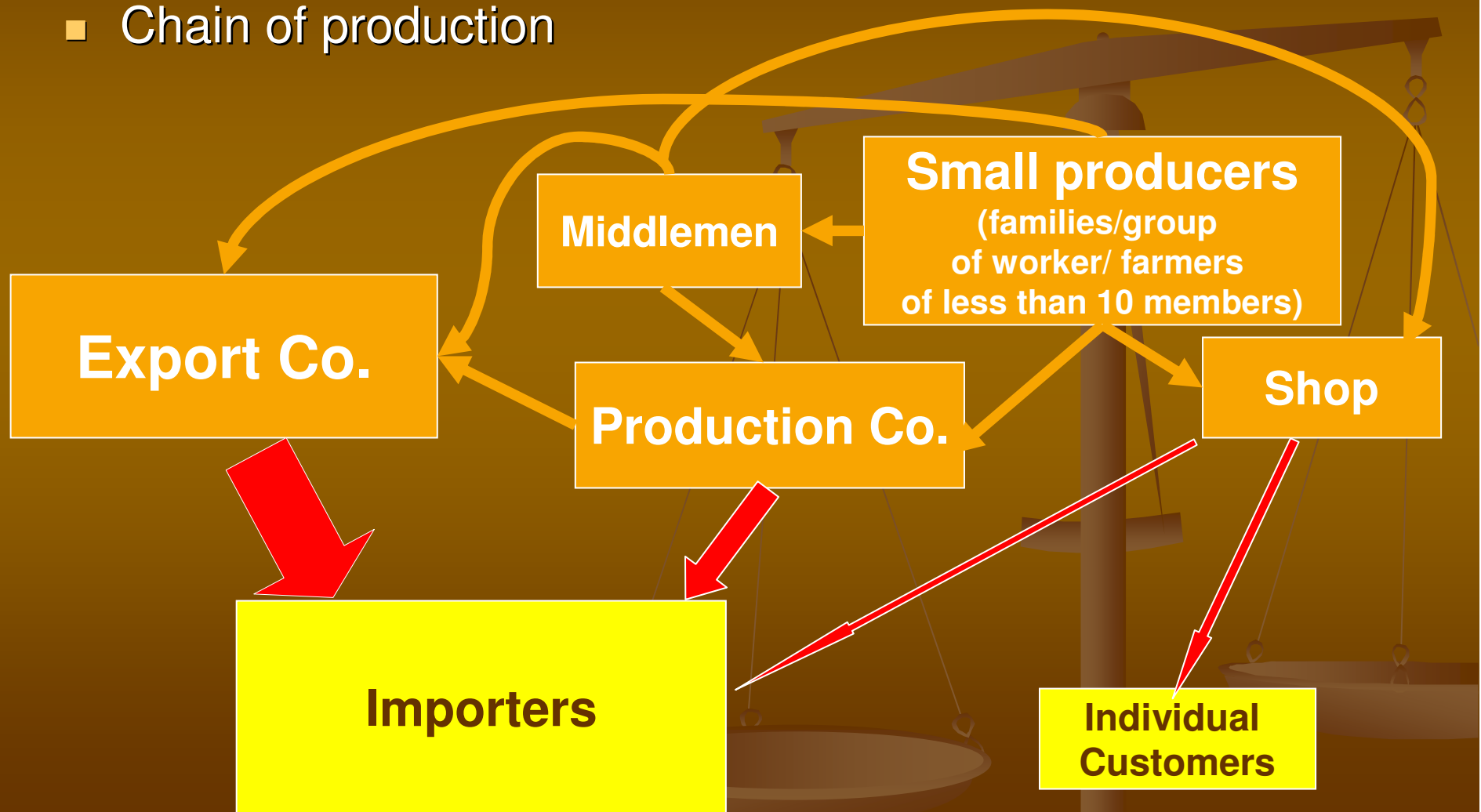
Approach: support farmers through handicraft exporters, because:

- Farmers unable to absorb available resources such as computers, internet, foreign languages, high-end product designing, e-commerce, marketing.
 - Exporters and Farmers: two inseparable parts of handicraft industry, one cannot live without the other
- “Survey on Export Handicrafts in Northern Vietnam”
conducted in early 2003

BDS for Handicraft Industry

Traditional Embedded Services

- Chain of production



BDS for Handicraft Industry

Traditional Embedded Services

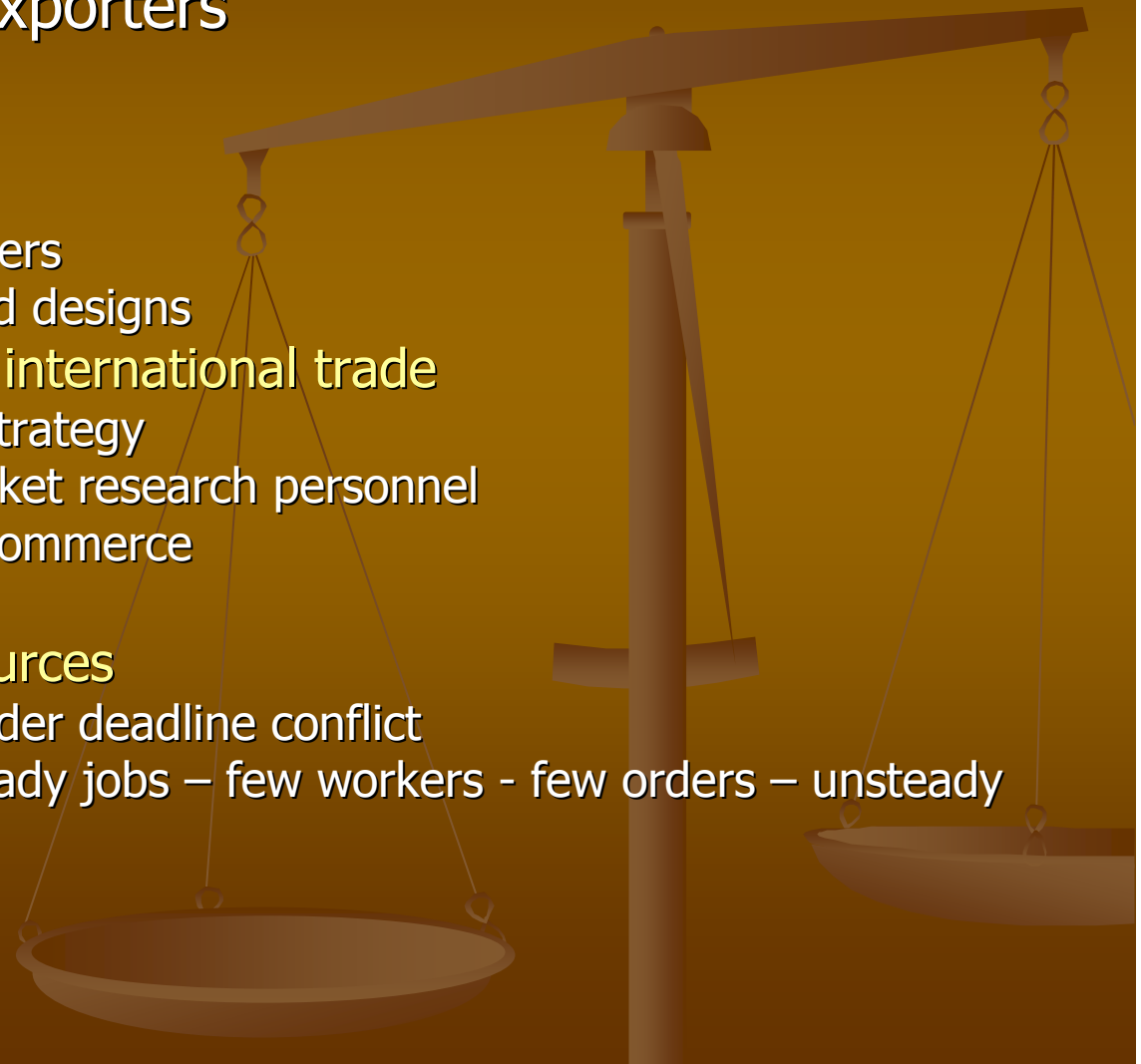
- Huge potential for handicraft exporters to extend BDS to farmers in sustainable and highly market-oriented ways
 - Exporters provide a wide range of support to small-scale producers and household producers
 - Training
 - Materials
 - Work contracts
 - Advance payment
 - Company strategy to help village/region economy shift to handicraft production from agriculture



BDS for Handicraft Industry

Traditional Embedded Services

- Major difficulties of exporters
 - Poor design strategy
 - High cost
 - Piracy
 - Lack of good designers
 - Availability of pirated designs
 - Lack of experience in international trade
 - No serious market strategy
 - No professional market research personnel
 - New to internet, e-commerce
 - Language barrier
 - Unstable Labour resources
 - Harvest time and order deadline conflict
 - Vicious circle: unsteady jobs – few workers - few orders – unsteady jobs



BDS for Handicraft Industry

BDS for Exporters

- Possible interventions
 - “Toolkit” of affordable techniques in getting information about market trend and demand with particular reference to design trends, fashions and tastes
 - pro-active use of designers (understand the lifestyles of people in their target markets)
 - Tour guides
 - Visitors to Vietnam
 - Vietnamese studying and working abroad
 - Foreign nationals of Vietnamese origin (Viet Kieu)
 - Intervention measures mostly self-help/commercial; exit strategy guaranteed!

BDS for Handicraft Industry

Potentials of BDS for Handicraft Industry

■ Extensive up-scaling

- Handicraft production mostly centers in a few provinces in North and South
- Only 10% farmers are involved
- Hence, potentials for expanding production to other regions/provinces, esp. disadvantaged, mountainous, areas
- Conditions: more orders, more market

■ Intensive up-scaling

- Potentials to increase *real income* for farmers
- Increase productivity
- Change structure of rural economy
- Conditions: Market, design, switch to high-end products (décor, etc.)



BDS for VN Handicraft

Conclusion

- Challenges to rural BDS (among other things):
 - Farmers' capacity to absorb available resources is too low.
 - Poor infrastructure in rural areas
 - Solution: Find linkages between rural and urban areas, where BDS can be channeled to rural areas through the "urban" end of the linkage. Handicraft Exporters is one of the sustainable existing linkage can be strengthen to over come rural BDS's challenges.
 - BDS for Vietnamese handicraft industry can help:
 - change the structure of the rural economy
 - keep farmers from moving to the cities
 - help reduce income inequality
 - bring prosperity to people in the countryside
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BDS for VN Handicraft

Conclusion (cont'd)

- BDS for VN's handicrafts effective in at least two fields
 - Help in market access
 - Build techniques to get information
 - Clear language, cultural, technological barriers
 - Help in design
 - Design accounts for large and increasing portion of total product value, thus owning design makes more profits.
 - Design strategy helps exporters increase professionalism
 - Awareness, designers, information, technology
 - Sustainable handicraft exports leads to sustainable rural development
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Thank you very much!

Nguyen Thi Thu Huong