



**Asia-Pacific
Economic Cooperation**

**APEC High Level Meeting on
Driving SMEs' Growth to Promote Local Development**

Chinese Taipei, 31 March – 1 April 2008

Session 5
**SME Strategies to
Develop Local Markets**

Traditional Craft Industries in Japan

The Association for the Promotion of Traditional Craft Industries Chairman Takao Watanabe

I am Takao Watanabe, chair of The Association for the Promotion of Traditional Craft Industries.

Today, I feel very grateful and honored to have the chance to participate in the “APEC High-Level Meeting on Driving SMEs’ Growth to Promote Local Development” and to deliver a speech to all of you, following the “APEC Development of Regional Industry Market Forum” in 2006. I also feel the profound responsibility I have in today’s participation.

As previously mentioned, I am here on behalf of Japanese Traditional Craft Industries and I would like to begin my speech by presenting you with some basic facts on the traditional crafts of Japan in recent times.

In Japan, for a craft item to be designated a Traditional Craft Product under the Law for the Promotion of Traditional Craft Industries, which was promulgated in May, 1974, it must satisfy the following criteria.

1. The article must be mainly intended for everyday use.
2. The article must be primarily hand-made.
3. The article must be manufactured adopting traditional techniques.
4. The materials should be mainly those which have been traditionally employed.
5. The industry must be of a regional nature.

In other words, though Japanese traditional craft products of every region have been manufactured by hand using traditional techniques for over a century, they are still widely used in daily life in the present day.

The reason that the products used in everyday life are designated, protected and promoted by law is that after World War II, industrialization in Japan made rapid progress along with the high economic growth.

In Japan, from 1970, environmental pollution and urbanization caused increasing problems, and people started to consider the problems of the mass-consumption and

mass-disposal socio-economic system. This reflection has led to a return to traditional Japanese styles, and the revival of traditional craft industries has become a trend. Meanwhile, the lack of successors for traditional techniques and difficulties in the acquisition of raw materials have become serious issues in every region. In addition, out of concern that the slump of the traditional craft industries, which have always been the core of local industries, would have a negative influence on regional economies, the “Law for the Promotion of Traditional Craft Industries” was established.

Presently, there are 210 items designated as Traditional Craft Products, including textiles, ceramics, woodcraft, metalwork, *washi* paper and dolls, among others.

I am from Kyoto. In fact, Kyoto produces the highest number of Traditional Craft Products, 17 out of 207 items.

Many tourists visit Japan for sightseeing every year and you might already know that Kyoto is considered the center of Japanese culture. There are many temples, shrines and cultural assets such as Noh and Kabuki drama as well as the tea ceremony and the art of flower arrangement. Hence Kyoto is the region with the highest number of Traditional Craft Products designated by the government. The fact that there are a great number of traditional craft items in Kyoto also has something to do with its cultural background. Culture and traditional industry are closely related.

Today I am invited to deliver a speech about the “SME Strategies to Develop Local Markets.” According to statistics, more than 99% of Japanese enterprises are SMEs, and as for traditional craft industries, MEs with a few family-member employees are the main supporters of the industries. In addition, the industries can be found all over the country, and they play an important role in defining the distinctive character of each region. Since the traditional craft industries in Japan originate from regional culture, they are indeed the “regional cultural industries.” Because of this background, traditional craft industries originally developed as key industries in the region, underpinning the regional economy. For instance, their rich historical background and abundant local color have often made traditional craft products a powerful attraction for tourists.

However, it is a pity that the basis for the traditional craft industries is declining each year. According to a survey conducted by our association, in 2004 the number of employees was about a hundred thousand, the number of enterprises was 17,793, and

the production value about 194.2 billion JPY. This indicates that the size of the traditional craft industries has decreased by more than half compared to the peak from the later 1970s to the beginning of the 1980s.

There are various reasons for this decline such as the establishment of the mass-production and mass-consumption economy system resulting from technological innovation, the revolution in industrial materials, and the development of the mass media. Also with the mass production of standardized and low-priced daily goods, the traditional craft items have difficulty competing with the modern industrial products in the market, and thus their market share has decreased.

Additionally, with the development of the economy, employees expect more from their jobs, and this creates another problem. MEs engaged in manufacturing traditional craft products and related work, for which the conditions of employment such as salary, holidays and welfare programs are still inadequate, were unable to attract the young labor force. One of other main reasons is the managerial burden on employers regarding apprenticeship. Since it takes quite a long time for artisans to acquire enough skills, which are indispensable for traditional craft production, their allowance during the learning period may put pressure on the management. Against such a backdrop, some local governments have begun to provide support for the employers when they hire new craftspeople. In order to maintain and develop important local industries, such policy measures could be effective.

Another significant aspect of the industries is the huge disparity between metropolitan regions and local regions due to the centralization of most resources, causing local areas to decline. Deterioration of local economies caused by the concentration of human resources and industries forces many SMEs to cease their business. For example, shopping districts consisting of a number of stores around local train stations are often called “Shutter Streets,” where there are lots of stores which are not open any more, and so have their shutters closed. Large shopping malls located in suburban areas intensify the situation.

Under deregulation, the amendment of relevant laws facilitated large shopping malls expanding their chains, especially in local areas, where real estate prices are relatively inexpensive and there is abundant available space. Consequently, many large shopping malls newly opened, and this badly affected old shopping districts, forcing many shops to close. As a reaction to the destruction of local lifestyles and economies due to rapid changes in the living environment and economic structure,

people are once again starting to pay attention to the traditional craft industries.

As I stated at the beginning, traditional craft products utilize natural materials, and therefore, they are environmentally friendly. In addition, they have been indigenous for a long time, thus fulfilling the prerequisite of being the core of revitalization in regions. At the same time, they are the core of regional identity, for they incorporate factors of regional origin such as motifs, designs and patterns, which are aesthetically and artistically outstanding. Another reason that people pay attention to the industries is that the manufacturing process itself is interesting enough to be a tourist attraction.

It has been observed that those who are no longer satisfied with mass-produced standardized goods tend to seek more sophisticated goods with better quality, despite the higher price.

Our predecessors had the wisdom to take full advantage of the blessings bestowed by nature and to live together without harming it. Such wisdom brought Japan bountiful nature and made it a beautiful country. However, as industrialization advances, nature is being destroyed in concurrence with the continuing decline of traditional cultural industries. When globalization spreads all over the world, tradition and culture are what represent the ethnic identity. In order to preserve and develop tradition and culture, stakeholders such as national and local governments must see it as their mission to take all possible steps.

Regarding Japanese Traditional Craft Products in general, when they start to fulfill four particular criteria, we can be confident that we are heading towards a truly rich life, as opposed to rapid and homogenized consumer life. In making this change, we can call ourselves true members of international society, which is founded on individual cultures. These four criteria are:

- 1. An increase in the necessity for high-quality products that enrich life.
- 2. The increasing trend to reevaluate regional culture.
- 3. Reevaluation of the traditional Japanese lifestyle and craftsmanship.
- 4. Traditional craft industry to be evaluated as the embodiment of a recycle-oriented society.

I believe that the virtual economy typified by the stock exchange, which does not involve actual production but seems to dominate the entire society nowadays, is the source of many serious problems. Needless to say, in contrast, the traditional craft industries are real business, rooted deeply in the region and local culture. I hope that

Japan will adopt a national management policy which positions those who engage in such actual business in the center. The reason I hope so is based on my belief that it is most important for human beings that those who are engaged in real business are well-paid for their work and enjoy cultural lifestyles which reflect local characteristics.

Since the cultural industries are most closely related to the regions, I hope that the traditional craft industries in each country and region will have close connections with people's daily lifestyles and be developed with pride, as the culture of one's own country.

Thank you very much for your attention.

Preparation for Kaohsiung's Direct-links and Regional Redevelopment

Ming-Shen Wang , Professor

The Institute of Public Affairs Management
National Sun Yat-sen University, Chinese Taipei

Email address:

Office phone numbers: +886-7-5252000#4907

LOGO

1

Index

1. Issue background

2. Key points for not going direct links in Kaohsiung

(1) A theoretical framework : Public Affairs
Management (PAM)

(2) Evaluation of Kaohsiung's regional
redevelopment under pluralistic societies

3. The strategies to prepare for Kaohsiung's direct links with Mainland China

4. The strategies for Kaohsiung's redevelopment

2

1.Issue background

(1)The economic performance of Kaohsiung from 2000 to 2005

- **Unemployment:** Top 5 in Chinese Taipei.
- **GDP per capita:** the growth rate of Kaohsiung is 5%,Taipei is 16.56%,Taipei is 3.31 times as Kaohsiung.
- **The net inhabitant population:** Kaohsiung is 2,662, Taipei is 86,833, Taipei is 32.62 times as Kaohsiung.
- **The amount of containers:** both imports and exports of Kaohsiung harbor are from 7.42 million TEU to 9.47 million, the growth rate is 27.5%. Shanghai harbor's growth rate is 222.3%, Shenzhen is 306.0%.

3

1.Issue background (continued)

(2)The influence of direct links regulation on Kaohsiung

- The outflow of human resources and capitals
- The fleeing of foreign enterprises
- Slow increase of white-collar population
- The backwardness of capital accumulation and economic performance
- The marginalization of Kaohsiung under globalization

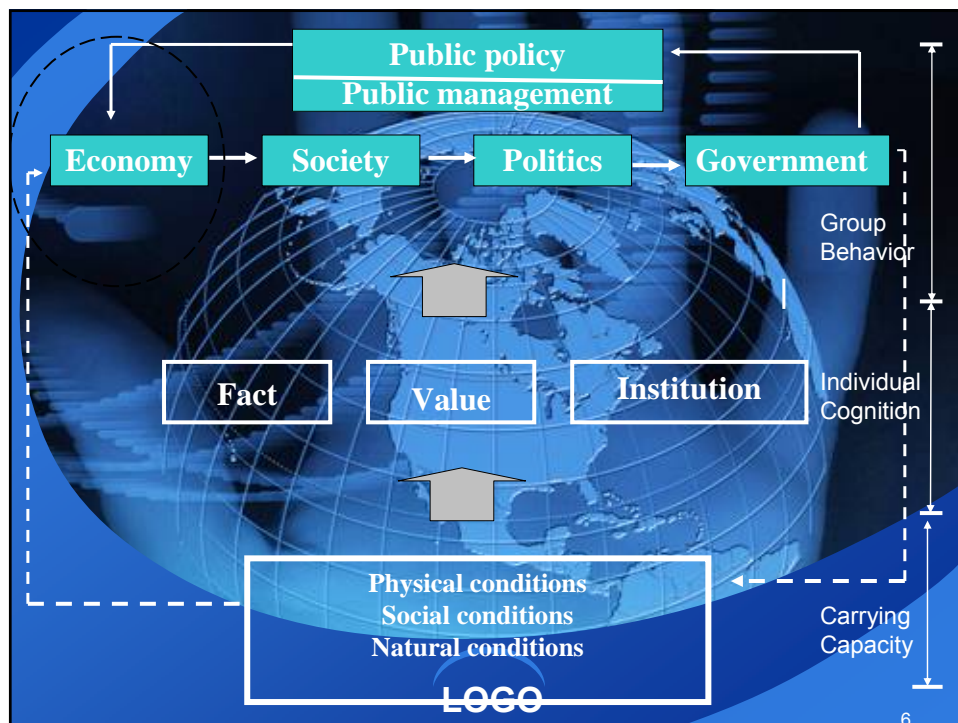
4

1.Issue background (continued)

(3) 2008 Presidential candidates' lift of cross strait direct links regulation

- The lift of direct sail (fly) regulation
- The lift of investment regulation
- The lift of financial and trade regulation
- The lift of tourism regulation
- Major difference : “The 1992 consensus”

5



6

2.The evaluation for Kaohsiung's regional redevelopment under pluralistic societies

- The key point for Kaohsiung's redevelopment is at her social and political dimensions. A 2006 survey on Kaohsiung's citizen : 30 white-collared workers and 40 blue-collared workers.
- The key elements of social and political dimensions include value, civil culture, political attitude, election, elected government officials, legislatives and council representatives.

7

- A class issue : among white-collared and blue-collared workers there exist significant differences in political awareness, attitude, civil culture, channel of information, ability to judge the information obtained, toward Mainland China, and cross-strait exchange and cooperation.

8

- White-collared population increases slowly that it is difficult to accumulate effective public supervision on urban redevelopment.

9

- Much blue-collared workers have ill feelings toward Mainland China and against the cross strait exchanges.
- Owing to the frequency of this region's election, many elected officials and legislators consider mostly the search for easy supports and winning of elections.

10

- For a social transfer and culture shift for the city, to have both economic prosperity and political democracy, "from the private to the public", "from the materialism to the post-materialism" and "from the traditional, the modern to the post-modern" is the major and fundamental challenge facing the city.

11

3. The strategies to prepare for direct links with Mainland China

- Holding public hearings, meetings, speeches, civil conferences on direct links related issues through academic institutions and NPOs. The government should provide necessary supports.
- Comprehensively investigate the negative impacts of opening for cross strait direct-links on the underclass, and plan accordingly.


12

- The policies considered should include all aspects of citizens, instead of benefiting only the private business and special interest groups.
- According to results of the efforts, to amend “the Act Governing Relations Between People of The Chinese Taipei Area and The Mainland A

13

- The city government should treat “cross strait direct links” issues in a more practical way, create an atmosphere with openness and rationality, should regard them as public policy issues rather than ideology conflicts.

14

- 
- Enhancing the level and authority of “Mainland Working Groups” in the city government. Select elites from each bureau of the city government to work together, to support the businesses and private citizens engaging with China.

15

4. The strategies for Kaohsiung's redevelopment

(1) Economic Dimension

- Set up the right tune for Kaohsiung's redevelopment under global supply chain.
- Restore the human resources and capital.
- The city government should seek to obtain synergy on economic affairs through bringing together all the factors and resources together.

16

(2) Social Dimension

- Attract high quality human resources through efforts like place marketing in order to form public supervision.
- Enhance civil awareness and consensus for important public issue like direct links, with efforts by both government and NPOs.

17

(3) Political Dimension

- Gradually switch the dominant party mobilization during elections with cognitive mobilization, i.e., vote with sufficient information and true free will.
- Focus on public policies instead of political or ideological manipulation.

18

(4) Government Dimension

- Reset the goal of Kaohsiung's redevelopment, and adjust accordingly the strategies and plans in a more practical way.
- Fully prepared for exchange and cooperation with harbor cities and regions of Mainland China.

19

(5)(6) Public Policy and Management Dimension

- The planning committee of the city government should do a well conceived strategic development plan.
- The city government should listen to the voices of the various stakeholders, to have a more thorough public policies toward regional redevelopment.
- Put concepts and ideas into precise numeral goals and plans for the sake of public supervision.

20



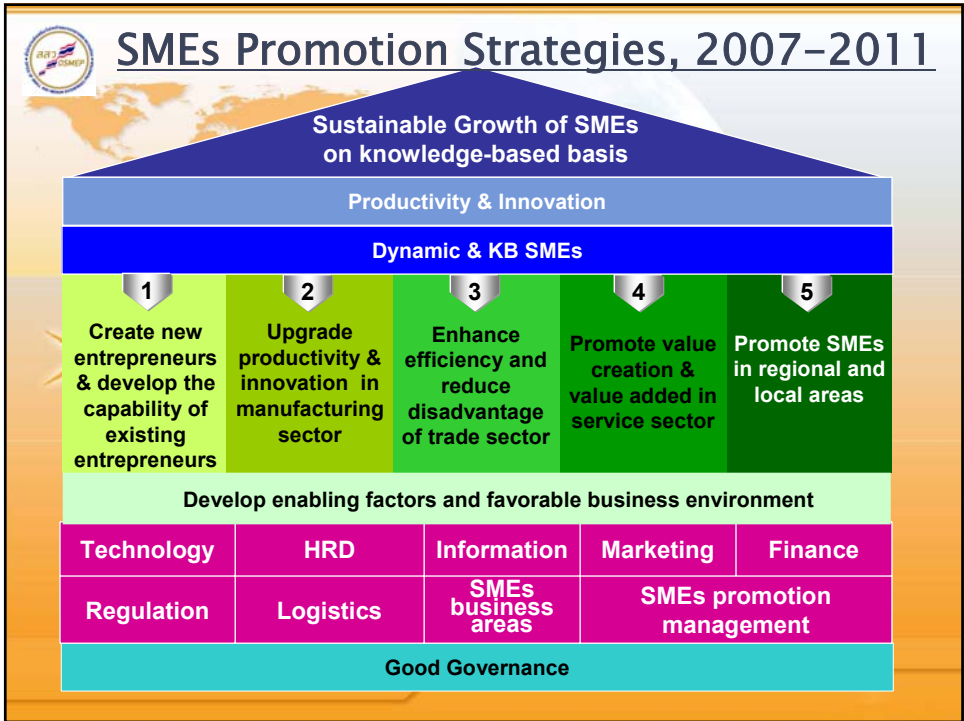


SMEs Strategies to Develop Local Market: OTOP Village Champion

By Nitirun Suwannagate
Deputy Director General
Office of SMEs Promotion, Thailand



1 April 2008





SMEs Promotion Strategies, 2007-2011

5

Promote SMEs in regional and local areas

Direction:

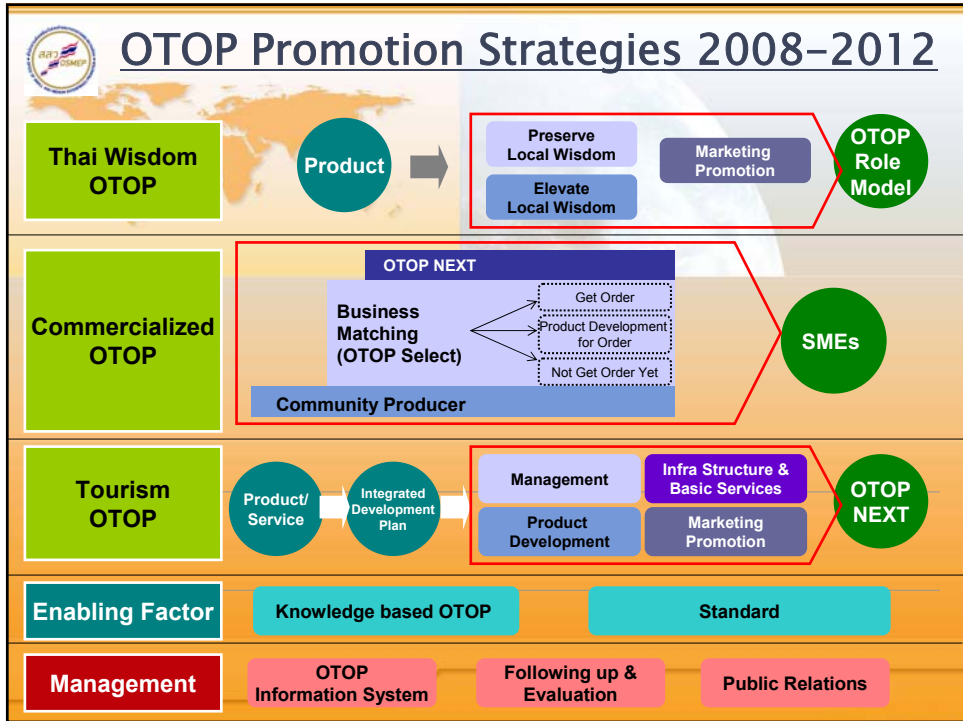
To promote the creation of networks and connection among SMEs in regions and to develop their manufacturing capability and business management

1. Promote community and local products
2. Support cluster linkage to promote value chain in sub-sectors with potentials
3. Support development of infrastructure to provide services to SMEs in regions
4. Integrate and build networks of SMEs promotion in regions



Strategies to Promote Local Market

Strategy / Measure	Approach	Targeted Sub-sectors
Public and Private Sectors Linkage	Government Procurement	<ul style="list-style-type: none">ConstructionOffice AppliancesTransportation Parts & Supplies
SMEs and LEs Linkage	<ul style="list-style-type: none">Supply ChainSub-contractorSupplierFranchise	<ul style="list-style-type: none">Auto PartsGarmentRestaurantLogistic
Cultural / Local Industries Development	2006 Campaign of "In Search of Excellent OTOP"	<ul style="list-style-type: none">Provincial Star OTOPOTOP Village Champion





Tourism OTOP Development

Strategy 3 Tourism OTOP Development

Community that has potentials to develop to be tourism destination



2006 In Search of Excellent OTOP

Provincial Star Products

OTOP Village Champion



In Search of Excellent Villages





OTOP Village Champion: OVC

People



Product



Place

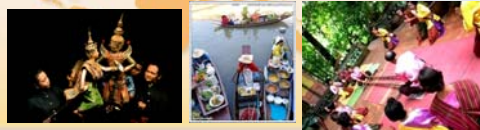


Preserve



OTOP Village Champion: OVC

Cultural Tourism



Handicraft Tourism



Eco Tourism



Agricultural Tourism



Health Tourism





OTOP Village Champion: OVC

OVC Study Trip in OITA Prefecture

Dr. Morihiko Hiramatsu: the former Governor of OITA Prefecture



Bungotakada: the city of Showa street.



Oyama: the city of agricultural products



Yufuin / Beppu: the city of Hotspring



Ajimu: the city of green tourism & homestay



OTOP Village Champion: OVC

Ban Tawai: Chiang Mai



'Woodcarving Village'

Ban Tawai is famous for furniture and woodcarving work shop.



Ban Don Kai Dee: Samut Sakhon

'Benjarong Village'

Ban Don Kaidee is a centre for producing hand-painted pottery .





OTOP Village Champion: OVC

Hot Spring Tourism Development



Impact of OTO Village Champion

Promote entrepreneurship in local community

Strengthen local economy

Reinforce the community network



Thank You

