

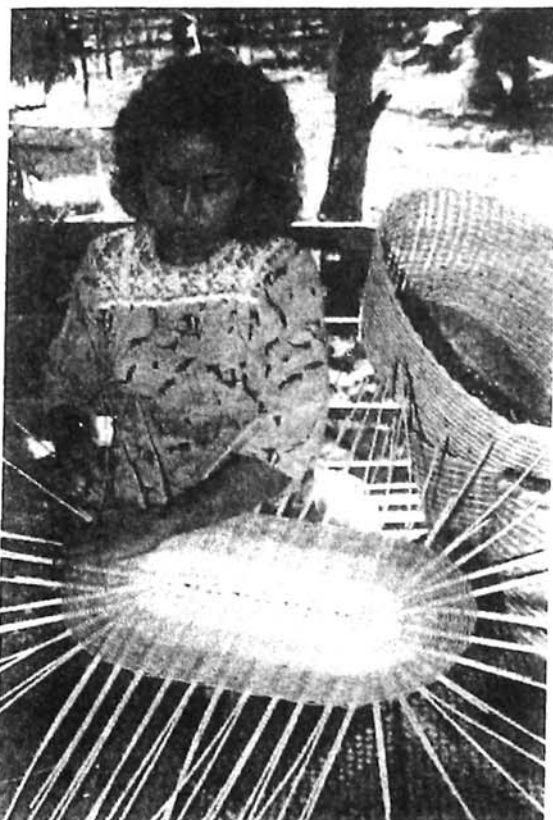
LOOKING AT CORPORATE STRATEGIES AND PLANNING FOR BETTER HANDICRAFTS DEVELOPMENT: THE MALAYSIAN EXPERIENCE

by Sulaiman bin Othman

Handicrafts showcase the nation's artistic wealth. For **tourism**, the handicrafts industry is one of the many streaks of **colors** which make up the beauty and splendour of travels. As an activity, it is widely acknowledged that the economic contributions generated by these industries in terms of employment and foreign exchange earnings have been, in some instances, comparable to those of the organized sectors.

The public and private sectors have been commonly referred to as organized, whilst the handicraft sector has been the subject of many reviews. It is within this context that I would like to address and focus attention. I would like to relate the handicraft sector to monetary aspects such as licensing, certification, legislation and other factors surrounding it.

As an economic concern, this sector must be looked into in total perspective. It must be viewed as an



economic energy which has, in the past years, been an active source of income to many of the lower income groups. But today, based on information gathered through surveyed

datas, some interesting conclusions have been made.

In some countries, families involved in the handicraft industry are found to be living with incomes over the national household average. This is an interesting point to ponder upon. Money value in this industry is reflected by the strong demand for handicraft products.

The economic value of the handicraft sector is evident. Its growth and contribution to the nation's wealth have been substantial. But this industry is reaped of its wealth without much concern for return investment. Reinvesting professionally means sufficient know-how and advanced technologies through professional input to further develop in into a bigger and more respectable industry.

Nonetheless, as the industry grows, immanent problems grow too. In many instances, authorities are only concerned with investing time

and energy only within the organized sector. But a huge proportion of the handicraft sector still remains unorganized.

It is important, at this juncture, to seriously investigate the problems faced by the industry. All energies should be directed to preservation of cultural and economic traditions.

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There is a need to create a more stable environment for growth for the handicrafts industry.

Since the subject matter concerns people and their artistic skills, this forum will be referred to as an informal enterprise.

There are three distinct God-given assets. First is the inherent skill of the artisan. If professionally organized, this asset can provide the means to produce products sought by export markets worldwide.

Second is the abundant supply of local raw materials. This is common to excellent handicraft products. One must also look at raw materials as money-makers and as part of the handicraft industry itself. Raw materials, imported or locally available, can help build a stable industry.

The third God-given asset is cultural and artistic wealth. This is the soul of many craft forms. To sum up, natural resources and the artistic talents make up the three important assets of the handicraft industry.

The regular supply of raw materials remains a fundamental constraint. Increasing volume production

demand, particularly in the export trade, coupled with irregular supplies and fast rising prices, make business expansion questionable. With this drawback, positive steps towards a more organized raw materials production system must be viewed with great concern. Apart from providing jobs, steps for increased raw material supplies ensure the continued growth of the industry.

In Malaysia, the supply of basic raw materials at controlled prices provide some buffer to the problem of insufficient raw materials. But a more welcome approach could be the setting up of a supply sector whose members deal directly with the manufacturers of the industry. This in many ways would eliminate the need for and the ever rising costs of ready-made imported raw materials. In addition, government policies should discourage the exportation of unprocessed raw materials.

All approaches and considerations must generate greater oppor-

tunities for growth within this handicraft sector. Regulating policies to prevent trading of basic and unprocessed raw materials will generate steadier and guaranteed supply. This would enable local industries to present themselves in the open market with more confidence.

Government regulation on pricing is another concern. Without proper control, costs of raw materials increase. But the prices of finished goods may not move up commensurately. Then the handicraft industry may suffer.

Many entrepreneurs are reluctant to upgrade their technological standards. They fear that by doing so the novelty of their products may be reduced. And this may result to the loss of their traditional markets.

In Malaysia, a similar fear exists among its handloom entrepreneurs. Market sensitivity in this problem remains a determining force. The constant demand for product variation and innovations encourages entrepreneurs to slowly welcome changes in technology.

In this respect educational institutions or government agencies can assist in educating craftsmen on technological change. They, as well as the general public, must be educated starting from the earliest possible school age. Changes, especially in technologies, are necessary if handicrafts are to remain competitive.

There is a lack of awareness in various technological advancements particularly in production techniques. In many Asian countries such information is not readily available and this limits alternatives for change.

Entrepreneurs exposed to the latest technologies are able to upgrade

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their operations. They are at an advantage when pricing is concerned. Since the handicraft industry is highly labour intensive, there is a need to upgrade technological know-how. Long hours, traditional methods of production and, in most cases, poor working conditions should drastically be improved. This is to ensure artisans get a better deal and receive more in return.

Another approach undertaken by the Malaysian government in upgrading the local handicrafts industry is product development and design. These are areas often neglected by many quarters. Design development is usually left unattended in sub-contracted productions since the majority of the artisans are also the workers themselves.

In a very demanding and highly competitive market, design plays an important role in the survival of a handicraft. In Malaysia emphasis is given to design work. Where the artisan population is relatively small and where wage is comparatively high, innovative and marketable designs as well as quality products are important ingredients for survival. This could be clearly seen when neighbouring countries have greater advantage in labour, skills and wages. A highly innovative and professional approach to product development and design is an investment.

There is a strong need for product diversification. The government must take the lead role to ensure the handicraft industry's growth in the export sector. Be it for export, local, or tourists, the government must help the industry fulfill increasing demands.

Skilled labour, the main investment in the industry must at all



Mengkuang leaves (top), grow in abundance on the Malay Peninsula. Before they are woven or plaited into various items, they are first cut into long strips, soaked in water, dried and dyed (left).

time be seriously examined. Without it the industry will never enjoy the artistic respectability it now enjoys. But there are now new areas of employment which promise better and lucrative benefits.

And skilled labour in the handicrafts industry of Malaysia is quickly disappearing. The artisan's irreplace-

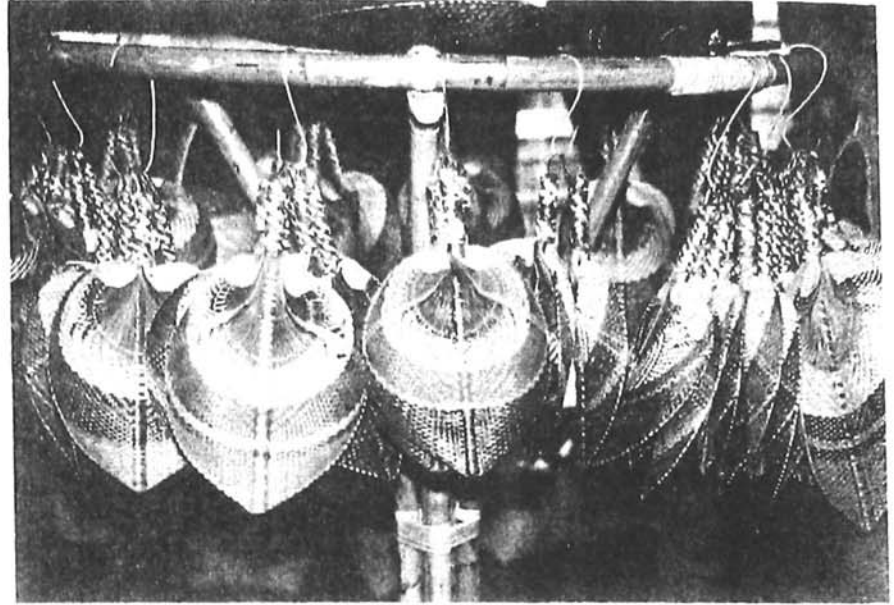
able value must be duly recognized within the formal wage structure of the government. Only through formal legislation can there be an assurance of the continued availability of skilled labour.

Looking at India, employment and trade generated by their handicraft, sector are commendable. Malaysia, on the other hand, has a young population. Out of the 16.1 million population, 58% forms the working age groups. In 1980, 128,000 artisan-related workers were registered.

In the fibre plaiting and the loom weaving sectors of Malaysia, employment is part-time and female dominated. Since this constitutes a sizeable proportion of the handicrafts industry, this sector should be stabilized into a formal structure. Malaysia



In a very demanding and highly competitive market, product diversification and design play a vital role in the survival of these woven handicrafts.



gears itself towards an economic change, forging ahead towards a new industrialized nation in the years to come.

The direction undertaken by the Malaysian government provides the move to stabilize, organize and place the craft industry as an economic sector. This too could provide substantial support to the country's economic growth.

On the other hand, the manufacturing sector has been identified to spearhead economic growth. As an industry handicrafts has proven itself to be considerably important to the economic well being of those involved in it. This suggests that handicrafts also has a role to play in Malaysia's economic growth.

Among the many steps taken by our government to ensure the industry's growth is the introduction of significant changes to relevant legisla-

tions. Under the promotion of investment act of 1986 and the income tax act of 1967, taxes applied to companies in Malaysia are in the form of 40% income tax and 5% development tax.*

To encourage growth in the manufacturing sector, companies granted pioneer status are exempted from these taxes within a period of five years. And to promote greater supply of raw materials, suppliers are also tax exempted. Raw materials are brought into the country under the auspices of the Malaysian handicraft development corporation. This is to provide the needed buffer stock.

In addition to the tax free benefits, duty privileges are also granted for imported machineries and equipment in the manufacturing sector. Nearly all these types of machinery

and equipment are exempted from import duty, surtax and sales tax.

Based on the findings conducted in 1987 by the International Development Research Centre, Canada (IDRC), exports hold the key to the future. If this is the case, large scale structural changes take place. The answer to this however lies in the direction of government policies and the number of trade-offs made to strike a harmonious balance. There are no easy answers.

Furthermore, snarls in government policies need to be disentagled. Where free enterprise is encouraged, policies may be in conflict with the need to protect local industries. There may be no immediate answers, but at this juncture what is important is awareness. Long term planning can be utilized. At best, it can be implemented towards striking a balance in

* However, in 1989, the rates have been reduced to 35% and 1% per annum for the next five years respectively.

the growth of all sectors concerned.

Malaysia's economic growth is invested in her plans of industrialization, reflected by active growth of the manufacturing sector. As a country comprising Malays, Chinese, Indians, Iban, Kadazans and other races, it is now looking into the possibility of making plurality an added asset. Its varied and colourful cultures provide a unique platform to present Malaysians and our products in the open market.

The tourism industry and the handicraft industry strongly complement each other. The strong image of a nation can be built on reputable and uniquely presented handicraft products.

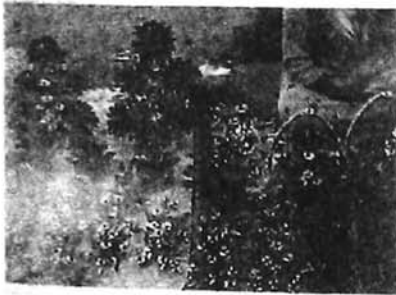
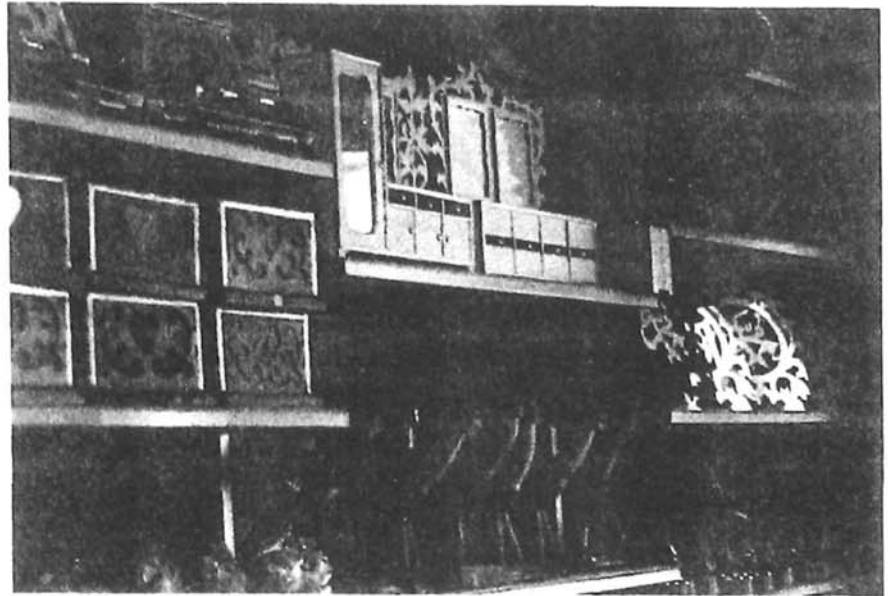
Its cultural significance can be further enhanced by the beauty and other strong qualities of a product produced by craftsmen. The handicraft industry remains a significant factor contributing to the growth of tourism.

It is very necessary to seriously analyse the registration and legisla-

tions governing the manufacturing sector. Manufacturing units, small or big, must be effectively controlled. Certificates on the standard of operations and products could form a market guarantee. This legislative move could further enhance growth in both the tourism and the handi-

craft industry.

With growing exports and local demands, handicrafts products could be one of Malaysia's main strengths. The handicraft industry has the potential to attract tourists and generate more revenue for the country. ■



Photos show a few of the many traditional handicrafts produced by Malay artisans.