

INTERNATIONAL TRADE CENTRE (ITC)

**Export-led Poverty Reduction Program (EPRP): Viet Nam
(INT/W2/11)**

Wooden Craft Development in Kim Bong Village

**Part of:
Kim Bong Village Community-Based Tourism Project,
Hoi An District, Quang Nam Province, Vietnam**

Consultant's Final Report

**ITC International Consultant
Mr. Jukka Tissari**

**Tampere, Finland
October 22, 2010**

TABLE OF CONTENTS

1.	BACKGROUND	2
1.1	EPRP in Hoi An	2
1.2	Sub-Project on Wooden Crafts	2
1.2.1	Importance of Wooden Crafts in Vietnam	2
1.2.2	Market Access and Demand Conditions	3
1.2.3	Expectations on Kim Bong	3
1.3	Challenge of Objectives	4
1.4	Key Problems to be Addressed	4
2.	OBSERVATIONS ON CBT POTENTIAL IN KIM BONG	5
2.1	Attractiveness of Kim Bong	5
2.2	Physical Infrastructure	6
3.	WOOD SOURCING FOR KIM BONG	6
3.1	Wood Supply Situation in Vietnam	6
3.2	Current Wood Usage at KB	7
3.3	Wood Sources	8
3.4	Legality and Sustainability Status	8
3.5	Potential collaboration between ITC and WWF Indochina	10
3.5.1	WWF's Support for Environmental Awareness and Sustainable Eco-tourism in Hoi An	10
3.5.2	Sustainable Wood Procurement Concept	12
3.5.3	Global Forest and Trade Network	13
3.5.4	Purchasing Policies in the Private Sector	14
3.5.5	Purchasing Policies in the Public Sector	15
4.	WOOD CLUSTER, INCOME AND EMPLOYMENT IN KIM BONG	17
4.1	Mini-Cluster with Limited Commune Synergies	17
4.2	Income and Employment by Type of Wood Enterprises	18
4.2.1	Shipbuilding	18
4.2.2	Civil Architecture, Furniture and Carving of Souvenirs	19
5.	ASSESSMENT OF WOOD PROCESSING	20
5.1	Bottlenecks	20
5.2	Alternative Raw Materials	20
5.2.1	Plantation Woods	20
5.2.2	Other Natural Raw Materials	21
5.3	Suggested Improvements	22
5.3.1	Raw Material Procurement	22
5.3.2	Pre-production Techniques	23
5.3.3	Tool Maintenance and its Impact on Quality	23
5.3.4	Finishing	24
5.3.5	Design	24
5.3.6	Market information	26
5.3.7	Branding and Launch of KB Collections	26
5.4	Immediate Investment Needs	27
6.	ASSESSMENT OF WOOD PRODUCTS TRADE	28
6.1	Types of Customers	28
6.2	Workshop as a Shopping Environment	29
6.3	Market Segments for Kim Bong Wood Products	29
6.4	Observations on Prices	30
6.5	Market Requirements	31
7.	RECOMMENDATIONS	31
7.1	Trends to Catch in the International Markets	31
7.1.1	Trend-setting	31
7.1.2	Product Opportunities for the International Buyers	32
7.2	Suggested Improvements	35
7.2.1	Product Development and Competitiveness	35
7.2.2	Promotion Strategy	35
7.3	Priority of Action Proposals	36

1. BACKGROUND

1.1 EPRP in Hoi An

The objective of ITC's Export-Led Poverty Reduction Programme (EPRP) is to contribute to the goal of reducing the proportion of people living in extreme poverty by one half by the year 2015, as set out in the United Nations Millennium Declaration. The Programme aims at enhancing pro-poor economic growth in developing countries, in particular by means of empowering groups of poor producers to make use of their productive potential with a view to participating in the export value chain. In the case of tourism, the Programme helps match labor-intensive products and services in demand by tourists with economically disadvantaged communities.

The Programme has identified in cooperation with its Vietnamese counterparts Hoi An in Viet Nam as an increasingly successful tourism destination with significant numbers of international visitors. Quang Nam province, in Central Vietnam is at the heart of the Central Annamites priority landscape of the Greater Annamites eco-region. The adjacent Kim Bong (KB) village is the poorest commune in the district, and possesses a craft village set-up next to Hoi An on the opposite side of the Thu Bon river. It has been anticipated that tourism emerges as the best available opportunity for poverty reduction and sustainable development since Kim Bong possesses a picturesque cultural and natural heritage. However, in spite of the potential, the local community has been unable to retain sufficient income and improve livelihood from the presence of international and national tourists. Demand and supply of tourism benefits seem not to meet in Kim Bong.

1.2 Sub-Project on Wooden Crafts

1.2.1 Importance of Wooden Crafts in Vietnam

There are multiple positive socio-economic impacts that wooden crafts industries have on poverty reduction and rural development. Crafts create incomes in rural areas, attract investment for the improvement of infrastructure, and may shorten the gap between urban and rural living standards.

Vietnamese arts and crafts are dynamic, and export growth in value terms was almost five times faster than the world average. Vietnam's market access conditions are relatively favourable in this sector. Vietnamese craft items are reputed for their affordable prices as well as a large variety of unique and distinct designs owing to its ethnic diversity. However, the quality of products remains relatively poor in exports. In addition, the production capacities are very scattered throughout the country. Consequently, it is difficult to standardize the products due to multiple subcontracting to small structures. In addition, the major handicraft product raw materials (bamboo, rattan, leaves, wood and textile) are threatened by shortages of availability and transportation infrastructure conditions are far from being satisfactory. Few craft villages have proper access to market information.

Not surprisingly, the Vietnamese government strives to utilize the craft sector as a tool for countryside development, preservation of a cultural heritage and a vehicle to pump-up economic activity in the rural areas. The Government targets for the industry to reach an annual turnover of USD 1 billion by 2005 and USD 1.5 billion by 2010, and create jobs for 1.8-2.4 million people and 4.5-6 million people, respectively. The Government has set forth a structure of many incentives and policies for the sector (see Annex 2).

1.2.2 Market Access and Demand Conditions

Vietnam's market access conditions are relatively good in this sector. The United States, overall the largest importer, applies either low or no tariffs; towards Vietnam its treatment is the same as towards the majority of competitors. Vietnam also benefits from free access to the EU market and for some products in this sector Canada and Malaysia offer Vietnam preferential access compared to the majority of exporters. Mexico, albeit a small market, discriminates against the country, sometimes substantially.

International demand for crafts grew by 8.2% in volume between 1999-2003. However, this was not matched in value terms where growth was much slower, registering just 3.6% per annum. This is showing symptoms of price erosion and heightening competition. The market for "cultural goods" came to USD 36 billion in 2003, with the United States clearly the leading world importer, accounting for 37% of the world market. Other large importers include the United Kingdom, Hong Kong, Germany and Japan.

Below is the ITC-prepared SWOT-analysis on Vietnam's arts and crafts sector, adjusted slightly for the purpose of this report.

Table 1.1. SWOT Analysis for Arts and Crafts Sector in Vietnam

Strengths	Weaknesses
Unique and distinct designs Low-cost labour High domestic materials content in final product	Limited access to market information Low product quality for exports Lack of process standardization Lack of cooperation among crafts entrepreneurs Lack of production materials Absence of capable national craft development specialists to meet the market needs Poor infrastructure
Opportunities	Threats
EU & US markets, domestic tourism expansion Craft development policies & support	Material bottle-necks (bamboo, rattan, leafs, wood and textile) Deforestation and bad environmental reputation

Source: based on ITC survey with enterprises in Vietnam

1.2.3 Expectations on Kim Bong

Wooden craft products are expected to deliver both direct and indirect results for invigorating the tourism appeal of Kim Bong. Through an increase in sales of crafts and carpentry products, the related tourism packages would become more appealing, thus keeping more paying customers for longer time in KB village.

Carpentry craftsmanship, i.e. furniture, sculptures, interior decorative art, and shipbuilding, are perceived as one of the attractions of Kim Bong village. It is hoped that by developing the wooden crafts production and trade, also other tourism-related livelihoods of Kim Bong would be invigorated. Other productive activities relate to small volumes in bamboo products and the weaving of reed mats, but neither of them is much more than a household off-season

activity for most villagers. Bamboo resource does not appear to allow expansion, and reed/sea grass products remain traditionally low-priced.

1.3 Challenge of Objectives

This consultancy was assigned under the Project to facilitate product development and link the wooden craft producers to international buyers (as well as to bring them closer to local markets), thereby increasing sales revenue and income for the local entrepreneurs.

Developing the KB wooden craft livelihood *per se* would probably be less problematic than trying to invigorate it jointly with the tourism aspects. This is due to the fact that the profession can in fact become esthetically less appealing to tourists if mechanization, (semi)industrial quality controls and modernization are put into place. All these seem to be needed in the village if product quality and design is to be improved.

On the other hand, the current workshop set-up still operates at a sweatshop mode, and could only much improve if the planned expansion also clears the congestion in the rooms. Improving cleanliness would also do well with visitors' liking of the place.

One can claim that the site of KB village is much less potential for craft village tourism concept than many other successful cases in Vietnam or abroad. This statement reflects the reality in which the village itself has fewer major attractions than e.g. some South-East Asian temple centers that host very picturesque craft villages. The wood carvers' villages in Java or Bali, Indonesia, have a lot easier access, and have much more beautiful settings. They are also better receiving the tourists than Kim Bong, where the visitors are met with a sense of shyness and sometimes indifference.

1.4 Key Problems to be Addressed

There were a number of pre-diagnosed problems that the consultancy assignment was supposed to address:

1. Sustainable sourcing of wood (currently most of the raw material comes from illegal logging),
2. Diversification and adaptation of the products to better meet with current demand,
3. Development of innovative new products for potential new market segments, and
4. Introducing the community to new international markets (if viable).

Many of these needs arise from the fact that KB has passed its heyday of master carvers, when its products were much sought for in the surrounding provinces. KB craft tradition is therefore under pressure of modernization and more open international trade in craft products. The market has outlived KB traditional products and searches for new product openings from elsewhere.

On the positive side, the crafts producer community receives a lot of visitors' attention for the simple reason of being the most tangible attraction in KB. Among buying tourists, it is claimed to enjoy a good reputation for the quality of wood products. This is not necessarily maintained in comparison with products sold at Hoi An city and neighboring provinces, or Ha Tay and Ho Chi Min city. It was the opinion of the two Consultants, that KB products were of lower quality than those made in the above mentioned craft production areas.

2. OBSERVATIONS ON CBT POTENTIAL IN KIM BONG

2.1 Attractiveness of Kim Bong

The two previous reports prepared by ITC Consultants Ms. Lisa Choegyal and Ms. Saskia Marx had been reviewed in preparation for this mission. Also their dedicated research and conclusions on the CBT potential in Kim Bong have been taken into account. Yet, the writer's personal observations are somewhat dubious about the true potential of Kim Bong to develop as a model for CBT. The following facts speak in favour of this reality-check.

- Regarding the broad perspective around the CBT project, it appears that Kim Bong lacks one major attraction to draw tourists in steady flows and retain them in the commune long enough to yield income to locals. Hoi An city is, of course, a major attraction, but how well its appeal benefits Kim Bong remains under some doubt.
- Often Hoi An city is the last visit on a larger tour among three World Heritage sites, and KB may not have the appeal to excite tourists at the end of their tour.
- Also accommodation and refreshments offering is non-attractive at the moment. Home-stay lodging has a limited scope for development as reasonably priced hotels abound in Hoi An city. If accommodation capacity is to be increased (what is highly recommendable if tourism is seriously developed), it is advised to build traditional wooden houses and genuine interiors to provide a locally flavoured experience for overnight staying visitors.
- The Kim Bong Tourism and Wooden Crafts Cooperative lacks capital as only half of the fees have been collected, mounting to 60 million VND, and 10 million were spent on bicycles. In the lack of promotion in Hoi An, only two bikers had been recorded on bike tour up to late-August 2005. Actually, a staff member of Hoi An Tourism Commerce & Tourism Department had pulled those pioneers into the tour. This is evidence of how the organized promotion is lacking.

The KB cooperative was clearly in a transition at the time of fieldwork. The former Chairman Mr. Huynh Suong was preparing to step down one week after the mission. His likely successor Mr. Binh introduced new lines of development for Kim Bong dockside for the consultants, which would importantly impact the CBT Project and the prominent role of wooden crafts in it. The new plans included e.g. an extended sales booth area for “made in Kim Bong” products (of all kinds). Additionally, a large “shopping mall” was planned, selling all types of souvenirs – and not necessarily typical for, or exclusively made in, Kim Bong. He also wanted to train or “import” 4-5 new carvers to make craft wooden articles for tourists, but this was clearly an attempt to become independent of the family of Huynh and its influence. Also supply of the rest of saleable stock would be sourced from the mainland. Sewing/weaving/painting tradition employs currently 17 cooperative members, and their role would most likely become more visible in KB souvenir supply.

As such, this development is understandable for the sake of leveraging income to a wider population in the commune. At the same time it is likely to harbour a conflict between the Huynh family's dominant enterprise and the community. Both may well survive such new development plans, but instead of collaborating the cooperative may divide into two competing parties. This can hardly do any good for the CBT development either.

On another front, the collaboration between Hoi An Tourism Commerce & Tourism Department and Kim Bong village seems unsatisfactory. The Department has a tourist promotion office centrally located in the old town of Hoi An. Despite having empty space in the office room, the Department did not accept Kim Bong's proposal for using it for

promoting their products and activities. The presence of a KB native promoter in Hoi An would be very necessary for creating awareness of KB offering for tourists.

The construction of the Crafts Center building was assigned by Hoi An People's Committee, which also keeps the building under its patronage for the time being. The full community ownership of the building remains to be established, as also the effective use of the lofty building for promotion and training for equal benefit of the cooperative members. Associated costs and the untraditional architecture were cited as reasons for lacking enthusiasm by the community and cooperative to engage with the Center. It appears also that there is no clear view on how the entire community would be empowered to benefit from the Center. As a result, the Crafts Center currently lacks proper connection with the cooperative.

2.2 Physical Infrastructure

The recent dockside construction works have received a lot of local and expert criticism for being out-of-place in the commune. The paved walking roads and concrete pier do not of course represent any cultural values of Kim Bong, but they will serve their purpose in the future, and hopefully remain free of regular repair and maintenance works. This may be a cost-efficient choice in the long term. Some "landscaping" would in any case be recommendable to improve the first impression given to visitors.

Crafts Center building was used for rattan weaving training quite regularly during the visit. Apparently the course was sponsored by the Economic Department of Hoi An. Only the lower floor was utilised. No attempts were observed to use the building for a systematic display of KB products at the time of visits.

Even though regular ship connections are available between Hoi An and Kim Bong, the new chairman of the commune was raising the idea of ordering a charter vessel dedicated for foreign and Vietnamese tourists entering Kim Bong. The ship would be locally built according to traditional design, and it could be used for promoting KB more efficiently without local daily passengers. This would no doubt mean an upgrade for connections, but the fee basis would most likely be elevated to cover the costs of the ship investment. The regular ships conveniently charged 2-4 times higher fees from foreigners than locals.

In terms of information and communication technology, the commune and cooperative are lagging behind to such a degree that it hinders the proper promotion of their products and services for tourists. No local promoters are active, after the lady hired to do that service resigned. The promotion through Hoi An tourist guides and hotels rests in the paper format (leaflets), while the use of proactive Internet and e-mail promotion remains out of reach.

3. WOOD SOURCING FOR KIM BONG

3.1 Wood Supply Situation in Vietnam

An annual quota for wood logging from natural forests are set by Ministry of Agriculture and Rural Development (MARD). The total quota is currently 300,000 m³ from both natural and planted forests (Table 3.1). It is reported that illegal cutting is still widespread throughout the country and remain beyond the control of forest protection agencies set up throughout the country. Taking into consideration illegal logging, actual harvest from natural forests could be

as high as 550-600,000 m³. This is widely understood to lead into the degradation of the remaining forest cover of the country.

Vietnam's wood supplies are consequently dependent of many complementary sources, including recorded legal imports, and unknown supplies (illegal logging and unknown imported sources). Vietnam's sizeable population and furniture industry put high pressure on domestic and neighboring countries' forest resources.

Table 3.1 Vietnam's wood supply by source

Year	Legal timber production	Recorded legal imports	Unknown supply	Total supply
	1,000 m ³			
2000	350	500	500	1,350
2001	300	470	300	1,070
2002	300 (natural wood) 300 (planted wood)	600	300	1,500
2003	700	800-1,000	300	1,800-2,000

Most of the wood from the planted forests is low quality wood from fast growing trees and 80% of that is used as raw material for the paper industry. A small part of the planted forest harvest (around 300-400,000m³) has sufficient qualities for wood products, furniture or handicrafts.

Main wood import sources include Malaysia (60 mill. USD), Laos (36 mil. USD), Cambodia (29 mil. USD), Indonesia (18 mil. USD). All these countries are considered of having sustainability and legality problems in their wood exports. They have been frequently featured in the NGO press releases and case studies on a rather negative note.

In conclusion, the wood focus of Vietnam is forced to shift from natural forests to imported wood and planted forests. From 2000 to 2010, wood supply from natural forests has been restricted to 250,000 m³ for construction and manufacture of wood products and 50,000 m³ for local use and manufacture of wooden crafts for export. It is planned that 50% of wooden material will be supplied by domestic planted forests by 2010. A program for five million ha of newly planted forest is being carried out by MARD. This entails two million ha of protective forests, and three million ha of forests for wood into manufacturing of wood products. In order to fill the lack of natural wood, fast-growing volumes of wood have been imported to Vietnam from different countries.

3.2 Current Wood Usage at KB

Kim Bong's annual wood consumption is estimated as follows:

- 1,000 m³ /year (ships 800 m³, carving 50 m³, furniture & civil architecture 150 m³)
- Ships: 80% natural mahogany (*Hopea pierrei Hance*) (used for sides of ships) & ironwood (*Erythrophloeum fordii Oliv.*) (used for the ship's frame), cho (*Dipterocarpus tonkinensis A. Chev.*), and only 20% plantation trees like de (*Castanopsis lecomtei Hickel & Camus*), and son ("lacquer tree").

- Carvings: 50% plantation jackwood (*Artocarpus integrifolia* Linn), sua (*Dalbergia tonkinensis* Prain), eucalyptus (*Eucalyptus robusta* Sm.), and another 50% natural doi (*Talauma gioi* A. Chev.), huong (*Pterocarpus pedatus* Pierre), rosewood (*Dalbergia cochinchinensis* Pierre), sindora (*Sindora maritima* Pierre).
- Furniture & civil architecture: sua, muong (*Cassia siamea* lamk), trai (*Fugraea fragrans* Roxb.), sindora, huong, rosewood.

The only specie that is grown on plantations is eucalyptus. All the other species are natural forest or fruit trees. Those generally offer far superior properties over planted species. They are often naturally durable, better workable and available in larger dimensions. Also the local buyers of the final products (ship buyers as main customers) are truly conservative and reluctant to consider any changes in raw materials or structure/design of products. Hence, there appears a relatively dim opportunity to introduce more sustainable plantation woods into Kim Bong, and that remains mainly on the wood carving segment, their customers willing.

3.3 Wood Sources

There was no direct evidence of roundwood imports into Kim Bong from neighboring Lao PDR or Cambodia. This cross-border trade is, however, common in several other provinces of Vietnam. Of the known sources of wood, the following can be stated:

- All roundwood comes either from Quang Nam province (floated by river) or from Central Highlands (inland transports).
- In Quang Nam, the following districts were named as origins: Que Son, Phuoc Son, Hien Giang. Their species were ironwood, mahogany, sindora, muong, go (*Pahudia cochinchinensis*), doi, sua.
- From Central Highlands, the following sources were identified: Gia Lai, Kon Tum, and Dac Lac provinces. These are well known to have most of the forest resources and often cited as the principal sources of illegal wood in Vietnam. The main species are rosewood, huong, and cam lai (*Dalbergia Oliverii* Gamble).

Kim Bong's dependence on Quang Nam resources is understandable due to its proximity and connecting waterways. However, the legal logging quota set by the Department of Forestry in MARD is so small that Kim Bong's sourcing from the province accounts for one quarter of the total quota of the province. Quang Nam is not densely forested in comparison with Dac Lac or Gia Lai, for example. Their official logging quotas are 10-20 times higher than that of Quang Nam.

3.4 Legality and Sustainability Status

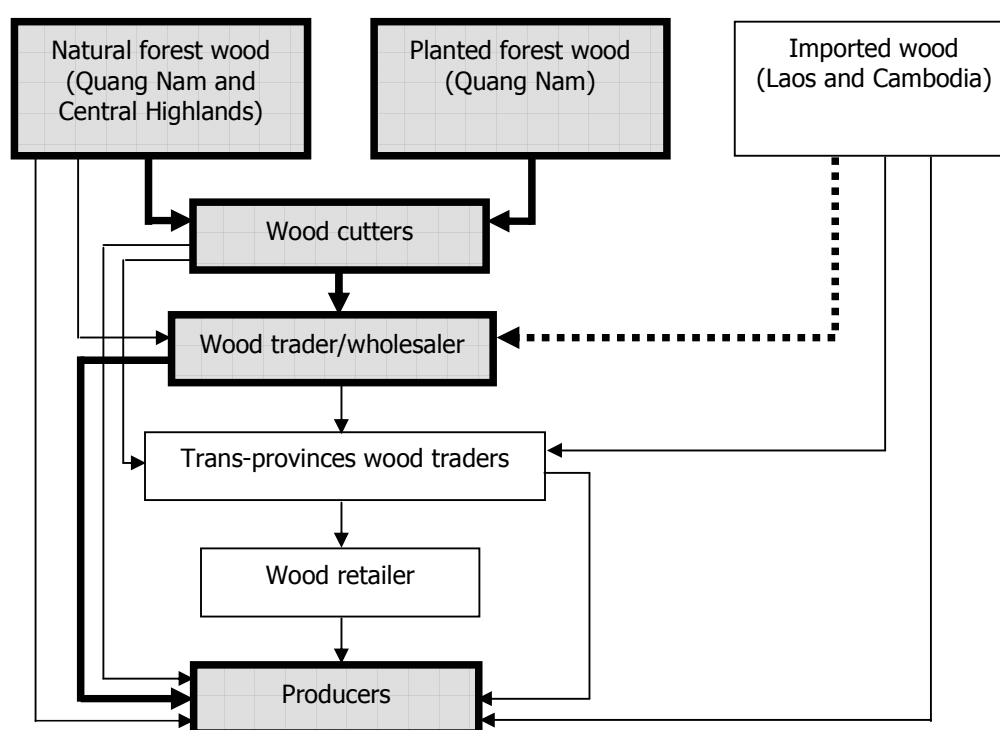
Out of the 800 m³ of roundwood consumed for ships, approximately 40% comes from State Forest Enterprises (SFE) of Da Nang, Khanh Hoa. The remaining majority, 60%, is of so-called floating sources. Most of this wood is presumably logged illegally. There are as many as ten wood traders in the small village of Kim Bong (Figure 3.1). This can be considered the most elementary form of wood-related entrepreneurship, and the first ladder in the value chain of KB wooden craft cluster. Descriptions of individual wood cutters and traders can be found e.g. in the research report done by Mr. Le Ba Ngoc, "Distribution Chain of Wood Craft Products in Ha Tay & Quang Nam Province (Aug. 2003).

Most wood arrives floated as round logs, but some of the most valuable timbers can also be trucked in large-sized squares (the logs are cut from four sides). These usually carry a price

premium per cubic meter, because the worthless sapwood is removed and transportation efficiency is far greater for squared than round logs. The lower-quality timbers are not even available in squares.

After the logs have been transported to KB, sawing is done at the dockside and part of the smaller-diameter planks are re-sold to carvers. The biggest dimensions go automatically into shipbuilding. Therefore, shipbuilding wood is the key to improving the sustainability and legality of timber supply to KB. Not more than 20% of shipbuilding natural wood can be changed into plantation woods, because the latter is just good enough for decking and benches. All the load-bearing and structural parts need to be built with natural hardwoods of highest quality.

Figure 3.1 Wood Supply Chain from the Forests to Kim Bong Village



Source: Le Ba Ngoc (untitled Oct 2005)

It can be claimed that the shipyards help stocking KB carvers with high-quality natural wood from the off-cuts and sideboards (so-called saw-falling grades). This offers also a competitive edge to KB in the form of lower-than average sawnwood prices in and around Hoi An. On the other hand, in carvings the use of plantation woods could still be increased, and species like acacia, eucalyptus, and fruit trees like jackfruit were frequently mentioned to be potentially usable ones. In furniture eucalyptus and acacia can find new inroads, as examples in other countries show (e.g. Malaysia, Indonesia, Thailand).

But as long as the natural wood is available and no obstacles to sell finished carving products occur, the likelihood of a voluntary shift into plantation woods is slim. The ITC project had clearly created awareness of the legality and sustainability as possible criteria for foreign buyers of KB products. At the same time, the craft workshop owner declined that the tourists had actually inquired of the origin or eco-friendliness of the wood products on display. A

change can be stimulated only by appealing to the ethical buying decisions by individual tourists. If ITC enters into collaboration with the WWF, it benefits from the latter's wide experience on influencing consumers for the benefit of the nature conservation and sustainability.

It is evident that the current roundwood trade is characteristic to the production systems, and in fact it is based on assumption that illegal timber will continue to be available domestically and from abroad. This should not, however, become acceptable to the ITC project, which aims at improvements in the legal and sustainable status of wood for KB wooden crafts cluster. External aids must therefore be sought to overcome the *status quo* and introduce new methods for wood sourcing.

3.5 Potential collaboration between ITC and WWF Indochina

3.5.1 WWF's Support for Environmental Awareness and Sustainable Eco-tourism in Hoi An

WWF has been active in Quang Nam since 1997 when it was responsible for the identification of a new protected area, Song Thanh Nature Reserve, which since then has been gazetted and developed with the support of WWF. It is now developing and implementing an Ecoregion Programme in the area.

Quang Nam is a famous tourism site in Vietnam and home to two cultural world heritage sites; the old trading port of Hoi An and the Cham religious site of My Son which dates back to 600BC. These two world heritage nominations are connected by the Thu Bon river which flows from the mountains past these sites and out to the marine islands of Cu Lao Cham where coral and sea grass beds remain.

Despite being a cultural, environmental and transport link between these three important sites, the Thu Bon River is neglected to the point where natural resources including fish are scarce, water is discoloured and litter is scoured everywhere. For the environment to recover, water quality to increase and tourism not to suffer as a result of poor management standards some action had to be taken. The New Century Hospitality and Tourist Company developed an action proposal and requested support from the local government to improve the situation.

For a modest yet important start, training for environmental education and sustainable eco-tourism in Hoi An city was started in September 2005 with the material assistance by ITC. The mission of this consultancy purchased gloves and masks to equip the river clean-up operation in Hoi An city's river banks.

The broad goal of WWF and partners is to build local capacity and to foster an environmental consciousness among the tourist industry and the population of the World Heritage landscape.

The specific objectives are:

1. To reduce direct threats to the natural environment of a cultural World Heritage landscape caused by intensive tourism activities.
2. To increase the effectiveness of conservation communications in the WWF partnered "Conservation café" (Café Hai).
3. To engage local government to lobby for an annual World Heritage Environment Festival.

The partners include Hoi An District People's Committee, Quang Nam Tourism Department, Quang Nam Foreign Relations Department, WWF Vietnam's MOSAIC project, UNESCO Vietnam, and now also tentatively ITC's Export-led Poverty Reduction Programme.

Support and involvement has been secured from Provincial People's Committee, Duy Xuyen District People's Committees, Departure of Culture and Information, Youth Union, Department of Natural Resources and Environment, Hoi An secondary schools, UNESCO volunteer groups, and DANIDA Cu Lao Cham project.

The following implementation plan has been released by WWF (Text Box 1).

Text Box 1 Training Plan for Environmental and Sustainable Eco-tourism in Hoi An

Day 1: Action planning workshop

Participants: Local government departments, fisherman, tourist companies, shrimp farms, tourist boat drivers, Cu Lao Cham and Hoi An management boards, My Son management board, UNESCO

Expected outcomes:

- Identify types of and sources of environmental pollution, especially focusing on the Thu Bon River
- Identify mitigation actions and responsible institutions
- Draft action plan including timing of activities
- Commitment to repeat the environment festival on an annual basis.

Evaluation: Action plan produced

Days 2-3: Practical training workshop

Participants: Local government departments, tour guides, UNESCO volunteers, café staff

- The importance of the natural environment on sustainable development and successful tourism
- Sustainable tourism
- Communication for environmental awareness
- Eco-tourism; what is it and how to promote it?
- Development of actions for the action plan identified in day one's workshop
- Links between pollution in My Son WHS, Hoi An WHS and Cu Lao Cham Island

Expected outcomes:

- Key tourism actors in Hoi An, My Son and Cu Lao Cham are aware of the importance of environmental protection and sustainable tourism.
- Development of awareness materials for days 5-6
- Development of café information display.

Evaluation: Training report / Awareness evaluation before and dafter training / Production of display and press material

Days 4-5: River cleanup

Participants: Café staff, Youth Union, UNESCO volunteers, secondary schools, Fisherman's Union

Expected outcomes:

- Removal of litter from river
- Identification of pollution sources
- Awareness work with river communities
- Publicity work.

Evaluation: Volume of litter collected / List of pollution sources / Number of press articles

Source: WWF Indochina leaflet

As a spin-off after this initiative, it would be advisable to follow-up with the collaborative spirit between WWF and ITC in Hoi An. A potential partner/intermediary for this would be e.g. the New Century Hospitality and Tourist Company. It has been supporting the work the of the WWF MOSAIC project for the past three years through the promotion of eco-tourism

and the presentation of information on Vietnam's unique and diverse biodiversity. Its base is in Hoi An is **Café Hai** (also known as the "*Conservation Café*"). The café currently acts as a retail outlet for the sale of handicrafts made by the indigenous Ka Tu people of the mountainous areas of Quang Nam where WWF community projects are active. In order to avoid any conflict of interest between the current set-up and the promotion of Kim Bong products, there should be a consultation and possibly a second café established for joint purpose.

The New Century Hospitality and Tourist Company aims to install a sense of environmental awareness in the community of Hoi An World Heritage Site, and influence the tourists that pass through it. It focuses on responsible tourism, and helps developing "ecotourism" options, practices and guidelines for Quang Nam province – thus overlapping with ITC's EPRP. It is based on assumption that each tourist has a role in setting a correct standard of acceptable behavior as a responsible visitor and consumer while on travel. Kim Bong could greatly benefit from such an actor in initializing its own moral standpoint on tourism development. It would have to pass, however, some sort of evaluation of WWF and New Century Hospitality and Tourist Company in order to qualify partnering with them.

It needs to be pointed out that no talks were held on this matter during the fieldwork mission. Such contact can be initiated by Mr. Ngoc if authorized by ITC.

3.5.2 Sustainable Wood Procurement Concept

There is currently no forest in Vietnam with an FSC Certificate, while on the other hand, demand for products certified by FSC is increasing in almost all big markets, where to Vietnam exports.

Some options to overcome this situation were discussed with Mr. Fergus MacDonald of WWF Hanoi office. WWF is gearing up its activity in Vietnam, which has an obvious shortage of certified (=sustainable & legal) natural wood for furniture and other growing end-uses. The national working group on forest certification is making a very slow progress in Vietnam, and the odds are thin on a breakthrough in the near future. Maybe a sign for the better, FSC certification pilot projects are now carried out in several provinces by WWF.

WWF has helped to establish a Global Forest and Trade Network (GFTN, see following chapter), which draws together buyers and sellers of certified wood products from all over the world and facilitates their transactions by providing a contact forum. Vietnam Forest and Trade Network (VFTN) will be launched in October 2005 (ITC was invited to participate) and it will focus on improving SFE & SME capacities to embark on chain-of-custody certification, and traceability of origin of wood. WWF is currently helping six state forest enterprises to import FSC-certified roundwood into their mills for further processing into export markets. Preliminary investigation showed that the VFTN works at least with two SFEs that have links with KB producers. Also an EU FLEGT-project (Forest Law Enforcement, Governance and Trade) is starting in Huei province.

WWF sees possible to develop a collaborative model with ITC on how to tackle the unsustainable and illegal wood trade in a pilot village like Kim Bong. It can help introducing alternative sources of sustainable wood from imports (USA, Malaysia, Indonesia, Lao PDR). Also substitution possibilities for rare hardwoods like rosewood & mahogany can be

identified (e.g. certified teak in Sulawesi, eucalyptus in South America, Australia, South Africa, and so on). Vietnam seems to import plantation woods in bulk from countries that allow roundwood exports and can supply high volumes in steady flows. For example South Africa has managed to get certification to 80% of its forests, so it has become a prime supplier of pine (and to a lesser degree eucalyptus) to Vietnam (all FSC certified).

A new development is the opening of 30,000 hectares of certified tropical forest in Lao PDR, near Savannakath. This is a rare occasion where a large tract of natural tropical forest is opened up for certification, and Vietnamese buyers are bound to react on this news. Usually there is a heavy competition on such certified sources put into offer. The costs of monitoring the certification status are reportedly not yet covered, and may have to be borne by the wood buyers. This would mean that annual auditing and other fees associated with the practical maintaining of certification fall on the buyer's expenses. The cost is not large per cubic meter of wood harvested, but may in some cases deter buyers interests if a more affordable source is offered without such add-on costs.

If a suitable mode of collaboration between WWF and ITC can be found, this could be replicated in other cases and regions. Such collaboration would in fact fulfil one of the recommendations in ITC's new *Strategy on Trade and the Environment* (2004), i.e. fostering sustainable trade in wood products.

3.5.3 Global Forest and Trade Network

The Global Forest and Trade Network (GFTN) was formed with the initiative of WWF as a group of organizations around the world that promote trade in FSC-certified forest products in order to improve forest management practices. The GFTN has member organizations all over the world (Table 3.2). While individual organizations are independently managed, the World Wildlife Fund provides coordination to the GFTN.

Each member organization builds a membership of companies committed to the production, purchase and advocacy of certified forest products. Participation within a given network is open to any organization that accepts its stated commitments. Member companies range from forest owners and timber processors to architects and home-improvement retailers. There are more than 700 member companies worldwide (2002) – large and small. The main European countries embarking on GFTN are:

- United Kingdom 99 members
- Netherlands 78 members
- Germany 64 members
- Belgium 57 members
- Austria 24 members
- Italy 15 members
- France 12 members

Wood product retailers and the companies that supplied products for them mainly initiated the demand for certification. Demand has in the more recent years spread throughout the whole supply chain in some key markets and market segments. As a result, there are now hundreds of companies developing and implementing policies to buy, use, and sell certified wood products. Most of them are part of the GFTN network.

Table 3.2 GFTN Member Organizations

Organization	Country or Region
WWF 95+ Group	United Kingdom
WWF Skov 2000	Denmark
WWF Skog 2000	Sweden
Stichting Goed Hout! / FSC Netherlands	Netherlands
WWF Wood Group	Germany
WWF Wood Group	Austria
Club Per Il Legno Eco Certificato	Italy
Just Forests	Ireland
Club 97	Belgium
Club Pro Forêts	France
WWF-Grupo 2000	Spain
WWF Wood Group	Switzerland
Association of Environmentally Responsible Timber Producers of Russia	Russia
WWF Sanshoukai	Japan
East Asian Forest and Trade Network – EcoWood@sia	East Asia
WWF's Oceania Buyers' Group	Australia and New Zealand
Certified Forests Products Council (CFPC)	United States and Canada
Mesoamerican and Caribbean Forest & Trade Network	Central America
Compradores de Produtos Florestais Certificados	Brazil

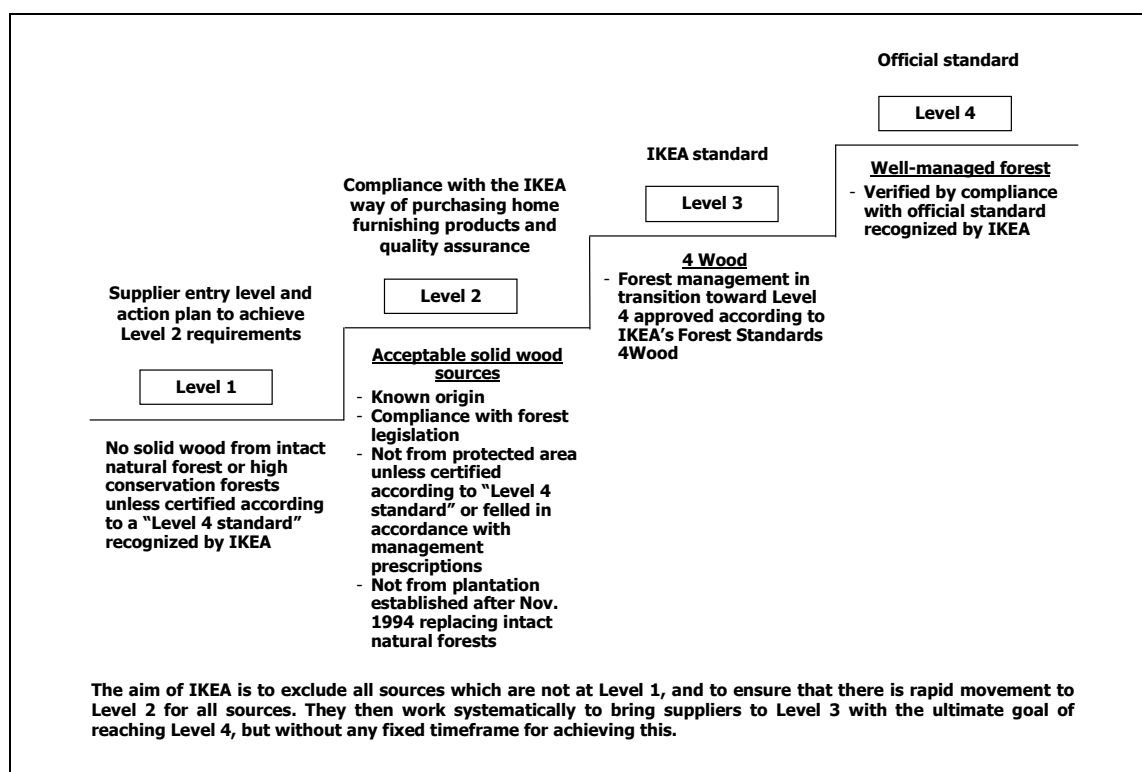
Source: WWF

3.5.4 Purchasing Policies in the Private Sector

Some organizations have recently developed sophisticated policies, which combine not only a progressive improvement in the “responsible” buyer’s action, but also a phased approach to the sustainability requirements placed on suppliers of wood products. A good examples of this type of approach is IKEA’s staircase model (Figure 3.2)

Buyers’ initiatives to develop stepwise approaches are very important in demonstrating that it is the responsibility of consumers, as well as producers, to address the issue of sustainable forest management. If consuming companies buy distinguishing between legal and illegal, well managed and badly managed, such purchasing policies provide incentives for the forest manager to improve the tending of their forests.

Figure 3.2 **IKEA's Stepwise Approach**



3.5.5 Purchasing Policies in the Public Sector

Public procurement policies are an important driving force for trade in certified wood products, and therefore constitute a significant demand factor. Spending by public authorities represents a very substantial source of demand for all forest industry products. In the European Union public procurement accounts for 16% of the GDP! Illegal logging has been an important topic on the international policy forums for years now and this has led to a "greening" of procurement policy more broadly. Some examples follow.

The case of the public procurement rules is presented here mostly for information purposes. It is, however, important to remember that these policies can lead to a much wider attitude change among European or American consumers, who are the main buyers of handicrafts in and from Vietnam.

The European Union

Following the adoption of the EU Public Procurement Directive on 29th of January in 2004, a Green Procurement Handbook was published on October 29, 2004. This handbook gives instructions to public agencies in the EU, including national governments, on how to choose environmentally friendly products in public procurement. For forest products the handbook recommends that products from sustainably managed forest be used. This sustainable forest management takes into account both environmental and social aspects. Some countries have already adopted specific targets, and many other countries are expected to announce targets for certified timber purchasing in the near future.

France

The French government decided in 2002 to develop timber procurement policy to favor FSC or equivalent systems, originally for tropical timber but now for all timber. Preparation of guidelines is currently under way and therefore the details are unknown.

The proposed French scheme requires some form of certificate or label for all wood products. It is expected the requirements will become stricter over time. The procurement policy will apply to all sources. French policy covers all product categories; logs, sawn wood, paper and engineered wood products. In all these applications, plantation woods are extensively used.

The French aim to meet the objective of 50% of publicly purchased timber being legal and sustainable in 2007 and 100% in 2010.

The Netherlands

The Dutch policy rests on its own certification system and applies to all forest products. Netherlands has possessed criteria for what qualifies as “sustainable” timber and has targets for the proportion of timber that should be sustainable in the Dutch market. The Dutch aspiration is 25% by 2005, which seems unlikely to be met.

The United Kingdom

A Central Point of Expertise on Timber (CPET) was established in June 2004, and its work will proceed in phases. It is envisaged that the entire United Kingdom public sector and its suppliers will use CPET for public procurement decisions in due course. CPET is currently being run by two consultancies, ERM and ProForest; a steering group will be established to ensure that the group is credibly independent.

As a result of CPET evaluation of certification schemes, the British government announced in October 2004 those schemes that were delivering legal timber and sustainable timber (in their view). Systems delivering legal timber were CSA, FSC, MTCC, PEFC, SFI, but only CSA and FSC schemes were delivering sustainable timber. CPET criteria are the British interpretation of the European Union’s procurement directives, indicating a slight difference compared to the interpretation in other member states. The British policy applies to all forest products from all sources, including also paper.

Germany

German federal government introduced the first legislation as early as in the 1970s for requiring tropical timber be used in federal building projects to be certified as sustainable. Work on revising and extending this approach began in 2003, and new regulations are expected to be ready during 2005. Existing German policy specifies that the certification proving sustainability must be reliable. In practice a wide range of certificates and eco-labels have been accepted by purchasers. The criteria for the new regulations are not yet available, but some sources indicate that they will use the FSC certificate as a benchmark.

Existing German policy applies to all tropical timber and timber products, but the new German legislation seems likely to apply to all forest products, including paper.

North America

In the United States there is currently no national policy on procurement of timber from legal and sustainable sources. However, there are some indications that United States public agencies would in reality favor FSC certified products.

Canadian government has not included forest products procurement policy in its legislation. Most of the Canadian forests are certified and the public authorities emphasize giving preference to a variety of forest certification standards. In practice this means that all certification standards would be accepted if a public procurement policy comes into force in the future.

The relevance of these broad public sector purchasing policies is not imminent for small community exporters like those of Kim Bong. These hardly ever engage in trade to such high-volume market segments. Its indirect impact may, however, be soon felt as a new sustainability benchmark for all purchases of importers and retailers, and even tourists returning to those countries from their travels. The stricter environmental criteria tend to become mainstreamed as new basic market access factors. Knowledge of such purchasing policies helps all producers adjust sooner than it is too late.

4. WOOD CLUSTER, INCOME AND EMPLOYMENT IN KIM BONG

4.1 Mini-Cluster with Limited Commune Synergies

Kim Bong village shows a diversity of wood-related manufacturing that induces to label it a mini-cluster. Table 4.1 shows some characteristics of the KB situation. In addition to ships, furniture and carvings, there are still some manufacturing of traditional architectural components for houses and pagodas, as well as some joinery (windows, doors) manufacturing on order by hotels, restaurants, boats, etc. It was observed that the various wood manufacturers interact and share some processes and facilities, thus matching the minimum characteristics of a cluster. There are a few household makers of wooden boats that are clearly dependent on the largest ones for raw materials, marketing and may also work as sub-contractors on credit for the larger players. Other than that, the wood carving is very concentrated and lacks the broad participation of the commune.

Table 4.1 Description of Kim Bong Wooden Crafts as a Livelihood in Kim Bong

Workforce		Production Cost Structure		Product Structure		Markets	
	Persons		Share		Items	Location	Share
Population (in working age)	1,600	Wood materials	50%	Main products	Carved furniture, ships, statues, garden furniture	Exports to Australia, France, UK, Spain, USA, Japan	30%
Number of producers	500	Labour cost	25%	Production capacity	30-45 days for container of 20' ft.)	Local traders, individuals, organizations	50%
Percentage	30%	Management	15%			Foreign tourists	20%
		Profit	10%				

Source: adapted from Mr. Le Ba Ngoc: Distribution Chain of Wood Craft Products in Ha Tay & Quang Nam Province (Aug. 2003)

There are hardly any common services providers like tool maintenance or spare parts & consumables delivery in the village. This most likely exists in some form, maybe offered from Hoi An city. Financial collaboration in joint investments was expected to happen under the cooperative rules, but it seemed to have faded amidst organizational and personal problems in the recent times. Innovative financial arrangements like suppliers' credits for buyers were just heard of from other competing regions.

This implies that the changes introduced into KB can only be successful if the entire commune benefits from them through synergies. Otherwise there will be a breakaway of key actors and further isolation of various development attempts. This would have a negative impact on ITC's CBT endeavors in Kim Bong. On the positive side, Kim Bong would have learning potential from their competitors in other regions.

It would be wise to promote an idea of preparing a "Roadmap" for the Kim Bong wooden and other crafts development. This would not only help diversifying its product offering into right directions, but also commit a wider participation of the different producers under a common workplan. Otherwise the cooperative may face a risk of fragmentation into competing professions with thinner resources to do anything successfully.

4.2 Income and Employment by Type of Wood Enterprises

4.2.1 Shipbuilding

The total income generated by the Kim Bong wood-based entrepreneurs has been estimated at VND 7 billion per year (according to Mr. Le Ba Ngoc). This equals to 440,000 USD. Building of the fishing, passenger and cargo ships brings undoubtedly most of the income to Kim Bong. It employs 150 people and creates 50 small-sized and 30 medium-sized vessels per year. Average price for a medium-sized (9-20 meter) boat is around USD 11,500 and a smaller boat sells typically for USD 2,000. One medium-sized ship can take 4 months to build, and employ about 10-15 workers at various times of the construction.

This is a semi-mechanized craft by definition, as it uses electric power machines for winching, sawing, boring and planing of the wooden planks. Clamps, metal screws and bolts are used in building the frame of the boats, and cladding the sides. Glues, resins and nails are used in non-structural parts like decks, stairs, windows and doors, cabins, benches and so on.

Competing ship-builders are known to have hired skilled KB-workers into places like Nui Thanh district. They are better positioned to serve the fishing boat segment of the trade, and offer credits for buyers in exchange of their fish catch in order to win orders. This practice has been only recently discovered by KB ship-builders. In the future, this clever marketing approach may evade more workers from KB to Nui Thanh, where also the fishing industry is better off.

4.2.2 Civil Architecture, Furniture and Carving of Souvenirs

Civil architecture and pagoda restoration works used to offer the lifeline for the past Kim Bong carving profession, but today represent rather a niche opportunity for the up-market buildings. The change is a result of modern building techniques in the local construction and tourism infrastructure. These changes have rendered articulated wooden carved parts a curiosity from the past. Hand-carved traditional wood components are nowadays required only on special occasions, such as when building traditional houses for tourism purposes, or restoration of older buildings into original shape. The frequency of such activity depends on the appreciation of the local up-market house, restaurant and hotel owners, and indirectly, on the preferences of visiting tourists. It is hoped that this activity could prosper, as it undoubtedly helps restoring the cultural flavor in Kim Bong and Hoi An. Unfortunately, many hotel, restaurant and shop-building projects seem to have abandoned traditional decorative structures away from modern methods and materials. At the time of the fieldwork, the Huynh family enterprise was holding talks with the Hoi An hotel developers on possible delivery of components. The current state of affairs is not known.

Furniture range produced in KB is restricted to the Huynh workshop, and comprises mainly garden and patio folding chair & table sets. These are not typically very hand-made looking, nor decorative. Domestic chairs do not have inlays with mother-of-pearl as in the north of Vietnam. Huynh workshop keeps a stock of such Northern Vietnamese furniture. They sell all furniture items abroad on the basis of orders given by foreign tourists while visiting in the workshop. Delivery times are typically 3-4 months and deals are made in less-than-container-load (LCL) basis. Also cabinets with drawers are made with a couple of imported designs. The income from the entire made-to-order furniture export is around USD 70,000/year.

Northern Vietnam-style living room sets were on display in the shop, but they were brought in for sale from other provinces. Mainly the locals buy this heavy and decorative carved furniture with dark reddish color. Its export potential to Western tourists is generally poor, even though at least one delivery to the USA had been made.

The carving of wooden souvenirs is the most diverse craft in Kim Bong, representing dozens of rather traditional product designs for decorative purposes. At the same time it is the most likely purchase of any foreign visitor due to small size, light weight and affordable price. Again, the Huynh workshop plays a dominant role in supplying carved souvenirs in Kim Bong, but also around 40 individuals from other households are engaged with the profession. In terms of income, it represents fairly similar levels as furniture exports, around USD 70,000.

A skilled carver can earn USD 80 per month, but more regularly wages are USD 2-3 per day, six days per week. It takes up to six years to reach a peak skill level. Labor retention is getting worse, as younger workers flee during or after the training to easier professions, usually street saleswork. Some carvers have also moved out from the commune to start enterprises somewhere else.

The total employment impact of the furniture and civil architecture works is about 100 workers, out of which the leading workshop of the Huynh family employs 57. The rest are working on household-level small workshops. All and all, about 30% of the working aged KB residents are employed by the wood-based professions.

5. ASSESSMENT OF WOOD PROCESSING

5.1 Bottlenecks

Judging from the various stages of wood processing chain in Kim Bong, the following bottlenecks can be identified:

- All timber tends to be air-dried, as kiln-drying (KD) is a rare profession in the region. Air-drying is sufficient to come up with a workable quality for ship-building, but for other end-uses typical drying times under sun (3-6 months) lock up capital for long time and delay delivery times substantially. Kiln-drying's main benefit would thus come from savings and shorter processing cycles. Modest price increases could also be obtained for KD planks, what would justify upon-order kiln-drying entrepreneurship. No such contract-kiln operators can be presently found. These would sell drying services to sawnwood producers or end-users upon need, and would charge a remunerative kiln operation fee and energy costs.
- Reliance on semi-mechanized craft, electric-power single/multi-purpose tools (made in Vietnam, China): mostly outdated and lack regular maintenance (break & repair).
- Poor tool & machine blade maintenance, medium-level gluing & jointing skills.
- In carving workshop, a compressor (0,5 hp) is sufficient for spraying coating, but for finishing a stronger one would be required (2,0 hp). Result is sub-standard finishing and lower quality and price.
- Carving skills: 20% acceptable 80% below: labor shortages were commonly cited.
- A few traditional designs of carvings, copied designs for furniture: this represents a typical workshop-level approach on product design.
- Minimal marketing knowledge and skills, combined with risk-averse production planning. No dynamic interaction between markets and the KB production base is visible.

5.2 Alternative Raw Materials

5.2.1 Plantation Woods

Several countries are facing a similar shortage of legal tropical wood as Vietnam. South-East Asian nations have to a large extent depleted their formerly abundant tropical forests, and China's, Thailand's and Vietnam's import needs are instrumental in finishing off the remaining tracts of forests across the region. In such a scenario, adaptation into the use of planted species is urgently needed. Vietnam's domestic plantation programmes have not been very successful, as growth rates have remained below their potentials due to bad species

selection and poor forest management. In conclusion, there will not be a fast plantation wood potential coming on stream domestically.

There are various initiatives in South-East Asia to intensify the growing and utilisation of plantation woods instead of natural ones. China is focussing mainly on eucalyptus, and to a lesser degree acacia and rubberwood. The latter forms the backbone of Malaysia's successful furniture exports. But still, the serious shift to plantation woods is hampered by imports of remaining tropical forest in South America and West and Central Africa.

Certain realism has to be followed when introducing these species into existing products and markets. In most cases, the lower quality of plantation woods in comparison with natural species is an undeniable fact. Careful comparison of wood properties needs to be done, and the variability of key quality parameters understood, before attempts on further processing are made. It is usually possible to identify the nearest (tropical) reference species, which plantation woods can compete with. Observed strengths and weaknesses possessed by plantation woods should be taken into account in product development. Adjusted primary processing, appropriate kiln-drying, wood engineering (removing defects for better quality) and manufacturing of intermediate products like edge-glued panels, finger-jointed wood, can help overcoming the initial quality flaws. But these methods also generate processing costs that do not exist for tropical solid wood products. In short, transferring from tropical woods into planted woods often requires a change in the whole production philosophy. In such conditions, imports of tropical woods may be more appealing an option.

It is advised that KB should establish a contact with a French project that supports the acquisition of appropriate processing equipment for plantation timbers. This is a necessary capacity-building step for KB, because change into the use of plantation timbers always calls for new technologies and working techniques. DED has the contact information to this project. The operating region of the French project was not known at the time of the meeting with DED/COOPSME.

5.2.2 Other Natural Raw Materials

One of Vietnam's neighbours and a rival in international markets, the Philippines has a long tradition in wickerwork for exports, and the use of banana leaves, jute and seagrass in combination with wood. Vietnam and China are producing bamboo flooring and wall panels on industrial scale for exports. Indonesia is a prominent rattan furniture exporter, but with sustainability problems mounting. These are examples on how non-wood materials complement and compete with wood in furniture and handicrafts. Also non-wood materials will have to be sustainably managed and sourced.

Cane and rattan are both types of climbing palms, with cane yielding thicker diameters suitable for furniture frames. Rattan produces thinner sections, which are suited for weaving. Both are graded according to suppleness (how well they bend and keep their shape) and whiteness of colour (the whiter the better). Bleaching is sometimes used to lighten the cane to look better, but at the same time bleaching makes the fibre walls brittle and deteriorate rattan strength.

Banana leaves are typically twisted, rolled or plated and then used for weaving. A new material is water hyacinth, which produces plaiting material from the stems of its leaves. It

needs to be dried first before plaiting into a rope-like material. This is used for wickerwork furniture and accessories.

The growth in the garden and patio furniture and outdoor decoration in Central-Southern Europe has been a major outlet for all these novelty materials.

Quang Nam is a very potential center for rattan development in Vietnam, and future decisions on KB craft production should take this in to account. IKEA is currently establishing a project with GTZ to establish a rattan cluster with 20 communes. There is already a sizeable rattan processing factory in Quang Nam, too. It is recommended that KB collaborate with this processing enterprise: the company could train workers of Kim Bong, and become the buyer of finished products. Crafts Center has the space for medium-sized training events, and the compatibility of their first rattan weaving courses could be checked with the Quang Nam company. It may be possible to find a suitable training curriculum for carrying the KB skills closer to match the company's skills profile.

Bamboo quality and availability in Quang Nam is not considered enough for large-scale production. Bamboo requires proper anti-mould and insect treatment before processing. Bamboo bungalows and bars have been supplied from Ho Chi Minh city to the USA. Vietnam Forest Research Institute (VFRI) has developed a method to keep bamboo's green color during drying. Seagrass ought to be conceptualised into other handicrafts than just mats: e.g. handbags, boxes, cup-holders, etc.

5.3 Suggested Improvements

5.3.1 Raw Material Procurement

Natural tropical wood is undoubtedly becoming scarce for Kim Bong wooden craft. Ship-builders are likely to continue using the traditional species as long as possible, but wood carvers and builders should take a fresh look at alternative materials, both wood and other natural materials. They could be labeled as environmentally benign products that help sustaining Vietnam's remaining natural forests. Training in the new techniques for plantation woods and non-wood materials could be arranged from the neighboring countries (Malaysia, the Philippines).

The dominant species in tropical forest plantations include pines, rubberwood, acacias, teak, gmelina and eucalyptuses. When considering the suitability of any potential new timber species for furniture, doors, etc., it is necessary to take into account the following performance criteria (selectively for each product's characteristics):

- grade quality and visual appearance;
- engineering properties (density, strength, stiffness, hardness, creep);
- stability;
- drying quality (moisture content and drying degrade);
- machining characteristics (planing, moulding, drilling, turning and sanding);
- gluing ability; and
- surface finishing characteristics.

A detailed knowledge of these characteristics is essential in the whole production process: product design, selection of appropriate materials and tools, selection of most suitable manufacturing techniques, and recommendations on intended service (end-uses) and environmental conditions.

The product range is of course composed of both structural (load-bearing) and purely appearance products. This means that the performance criteria are different, and allow compromises made between strength and visual qualities. The idea should be to optimize the desired properties and leave the unwanted qualities to other applications.

A good example in Kim Bong is the deck and bench materials of the wooden boats. The strongest and most rare timbers should not be used for these non-structural parts at all. Even lower-strength timber will do the job without lowering the value or performance of the finished boat.

5.3.2 Pre-production Techniques

It is imperative to improve the use of timber that has attained the equilibrium point of moisture content. This will help avoiding structural weaknesses of e.g. garden furniture and chairs, and other excessive rejects during production. Less customer reclamations will be received as a consequence.

It is suggested that kiln-drying capacity is added with installment of max. 5-10 m³ chamber either in Kim Bong or in Hoi An. This can be built on site with local materials, but it will require ventilation, control and fan equipment from a manufacturer from Vietnam or abroad. Local training and supervision of kiln operators can be organized from Viet Duc Wood Processing Co. in Hoi An.

Kiln-drying operation could operate as a stand-alone business and charge fee on volume of dried wood basis. Probably this type of concept would have to be located in Hoi An in order to ensure sufficient client base.

It should be also studied whether Australian-made solar kilns or combination kilns (solar + mechanized ventilation) could be made available at reasonable cost. These are known to have been installed in small-scale wooden crafts communities across South-East Asia and the Pacific.

5.3.3 Tool Maintenance and its Impact on Quality

Tool maintenance is a crucial part of the wooden craft profession, because it enables efficiency and consistent quality in the work. There appeared to be some degree of negligence in this aspect in Kim Bong. Tool maintenance seemed to be the responsibility of an individual worker rather than the company. Dedicated workers for tool-maintenance with a small separate workshop or room would be needed to upgrade this activity to a more professional level.

Closely linked with the former observation is the technical inadequacy of some key equipment. Currently, the compressor in use is too weak for a proper finishing job.

Acquisition of a larger one would improve surface finishing and increase the final value of products. Some clients may insist on environmentally/health-wise friendly lacquers and paints, but these were not made available in Kim Bong. Emission safety, as well as food safety for kitchen range, are therefore below standard levels.

5.3.4 Finishing

The quality of final sanding of carvings needs to be improved, as well as the consecutive painting and lacquering. It should be understood that these work processes are none less important than the actual carving. On the contrary, a bad finish can lower the value of the product, and downgrade unnecessarily the carver's skilled input. Too much variation in blending the colors, paints and solvents were observed. These should follow controlled standard procedures for uniform quality.

KB finishing is also very comfortably relying of the simple staining and lacquering options. Matte finishes are currently well accepted in decorative small items of wood, but in interior furniture items the situation is more mixed. Antiquated or natural (visible grain patterns) have been in fashion in the recent years, and this trend has certainly not been marked at Kim Bong. The shiny or satin lacquered surfaces are still the common norm in Kim Bong, but pretty much out-dated in the overseas markets.

One key requirement would be to install a clean painting/spraying room with recovery of airborne lacquer remnants. This would not be a big space or investment. The actual space requirement depends on the size of individual products, and on the numbers of items manufactured. Usually the KB workshop-sized facilities need only a 5-10 square meters for spraying rooms. The fan system for recovering the loose sprays of lacquer, and cleanliness of the finishing environment, would dramatically lower the chemical consumption and improve final quality.

5.3.5 Design

Much of the value of any consumer-product is made in the design phase. Manufacturing or carving is supposed to transform a drawn design into a functionally and/or esthetically performing product. See below one example.

Text Box 2. Scancom Case on Leveraging Designs & Raw Materials between Developing and Developed Countries

Some of the commercially most successful examples of contract manufacturing against given designs is provided by Scancom enterprises. As the name indicates, the company was founded and is managed by expatriates, mostly Danes. It has become one of the world's leading makers of ready-to-assemble (RTA) outdoor furnishings, and its largest production bases are in South-East Asia. The exports are sold to Scandinavia, central Europe, the USA, and the UK. Deliveries to the UK are being warehoused and distributed by Alexander Rose Ltd and MSL (UK) Ltd, which are both well-known garden furniture specialists. Some of the UK staff has previously served in Scancom's production and design operations in the developing countries, so that they know the local conditions and capacities very well. Apparently these linkages have strengthened the company's ability to respond to market tastes, and transform matching products with agility needed in today's fast-changing markets.

Apart from its economic importance to the local communities, Scancom has become a central social contributor to the development of communities where it operates. It is supporting the educational facilities for the children, and a new pay-cheque donation scheme has been established for the UK staff members who wish to contribute to the lives of the producer communities residents. On the sustainability front, Scancom was the founding member of the Tropical Forest Trust (TFT), which is today actively bringing buyers and sellers of certified wood products together. TFT is currently implementing a large EU-funded project to forward trade in certified wood products. Scancom is pioneering the imports of certified wood e.g. from Latin America and South Africa into Vietnam for further processing into exports.

Design capacity in Kim Bong was very fragile and mostly based on copying buyer's product photos or magazines. Access to Vietnamese and foreign designs can be improved with distribution of home decoration magazines, mail order catalogues, and similar media that display a wider range of products. Internet can be a potentially rich resource of design trends and ideas, but it is not easily accessed without some basic training. The fastest way to improve design awareness is to assign one computer-savvy design student or young designer to facilitate access to Internet-based designs in Kim Bong. This could also happen as the first step of an exchange program with some foreign design school. It is more difficult to attract business-led design development, because of the small size of the KB operation. However, COOPSME indicated the availability of a German designer (R. Bahlke) in Hanoi for both traditional and contemporary furniture designs. Their website may also hosts a design corner, which could be useful for Kim Bong if access can be arranged.

Clear and uncomplicated are the words currently used to describe the wooden accent furniture fashion. Rustic or country designs have fallen out of style in the last couple of years. Asian themes appear to be appreciated, what is a positive notion for Kim Bong. But red, shiny lacquer finishes are a past trend to a large extent. The interpretation of such current design trends should be expedited in Kim Bong, where things are mostly done according to outdated trends.

A short-term but maybe a costly measure is to bring a foreign designer into Kim Bong. Visiting designers can be sought for in the exchange programs of foreign design schools and institutions in the main markets (Europe, USA). Aid to Artisans and similar NGOs can facilitate the training courses of foreign design teachers in craft villages. In the long term, training of a Kim Bong designer in Hanoi Art College, etc. should be considered. From the UN-family, UNIDO has arranged design assistance in wood products previously, and it could be consulted for the KB case.

5.3.6 Market information

As in so many similar village workshops elsewhere, one can conclude that market information arrives in KB only occasionally and mainly through visiting customers, that never return. This means that merely a glimpse of understanding can be achieved time to time. This is a serious flaw in any wood processing activity, and even more worrying for a crafts village, which depends more on perceived “fashion” value than actual utility value of their products.

Hence the importance of a continuous market information flow cannot be emphasized too much. There are numerous case studies and manuals for establishing a specific Market Information System (MIS) to facilitate small producers’ access to commercial details and product requirements for their products. For example, FAO has produced and field-tested a manual for developing small-scale community enterprises, and supply of market information was one of the key components. ITC would be advised to seek for an opportunity to run a field test or training based on this manual and in collaboration with FAO’s Community Forestry Department.

But the establishment of such a system is not easy, nor is keeping of such system operational on the basis of membership fees or similar financial contributions. Based on the past experiences in Vietnam, there are a number of very fundamental decisions to be taken if a market information system will be developed in Kim Bong. These may include, but not restrict to, the following ones (Box 3).

Text Box 3. Market Information System Basic Questions

Question	Proposed Contents
What products are to be selected?	KB handicrafts (product families in wood prods, garments, sea grass products, tourism packages)
What type of info is collected?	Prices, favored articles, style & finish, quality, new designs
How frequent is collection?	Monthly/quarterly
From where to get info?	Tourist guides, shop-keepers, tourists (top-5/10 products to start with), trade & home decoration media, on-line sources
Who collects and disseminates it?	Market Information System developer (by ITC), then a local counterpart trained for the task
What media are used for dissemination?	Notice boards, newspapers, mass media (generic articles), telephone (short text message), e-mail/Internet
Who keeps the master data?	Cooperative representative, helped by ITC
How is the MIS sustained?	A user fee system established, exchange of info with other MISs

5.3.7 Branding and Launch of KB Collections

Two important ways of distinguishing KB products of others would be to develop a brand identity for products made in the commune, and to start seasonal or themed short-series production (collections). Both are inter-linked decisions and strengthen each other if carefully developed.

The KB brand would need to reflect the village attraction and lifestyle, because this would also enhance the objectives of community-based tourism and give an identity to Kim Bong. On a very practical level, the wooden carvings and furniture pieces could be tagged with KB-

logo and a short storyline on the village as a destination of World Heritage Site tourism route. Branding could be set forth by means of promotional material distributed to arriving tourists, or travel agencies attracting potential visitors. The old tradition of KB's pagoda building heritage and imperial esteem could be used as themes, but these have already been widely exploited by other Vietnamese manufacturers of a broad range of products. The selection of brand idea with longevity is a demanding task. One attempt towards this type of tagging and branding was observed in the furniture workshop. A local poem/story was written in Vietnamese language into a hand-carved one-piece chair: The workshop owner was in fact requesting Mr. Ngoc to translate this story into English.

The move into a collection-based production would bring at least two advantages: first is to meet better with the seasonally changing buying patterns in European and North American markets. Simplistically, it is about producing items tuned in with the four main seasons that dictate interior decoration and garden/patio life cycles. But it is also a matter of matching products with more specific themes and major annual celebrations/holidays in the target market. Decorative items typically have high seasons during the festive periods.

Making collections also holds a good promise of diversifying the decorative items from one or two items into proper product families. This type of understanding is grossly lacking among many Vietnamese enterprises that serve these market segments. Kim Bong is no exception.

5.4 Immediate Investment Needs

The following technical and commercial investments were deemed necessary for KB in the short term in order to upgrade wooden craft profession and product quality. As it has been discussed in the previous chapters, these items would improve the overall skills and production methods in KB, and eventually help improving the product quality and design to more competitive levels.

The depth of these measures varies of course from one-time purchase of a machine, to running training sessions for several months in a year. Training would be done on-the-job for most of the time, and it is also a basic need after every new machine is bought.

Some possible investment targets are the following:

- kiln-drier \$4,500
- chemical wood treatment facility \$1,000
- 2 hp compressor \$400
- ventilated spraying room \$500
- training courses \$350/worker/yr.
- promotional materials \$0,25 x 2,500 copies = \$625
- carving workshop layout improvements (self-financed)
- a local designer \$150/month

For domestically made machine tools, the following quotations have been collected by Mr. Ngoc:

- Band saw VND 8,500,000

- Jigsaw VND 5,000,000
- Router VND 4,500,000
- Drilling machine VND 5,500,000
- Planing machine VND 2,000,000
- Circular saw VND 6,000,000
- Milling machine VND 5,000,000
- Multipurpose lathe VND 12,000,000
- Sanding machine VND 1,000,000
- Spraying equipment VND 5,500,000

It can be stated that these machines represent a basic technology environment in the types of workshops that for example Mr. Huynh Suong is running. Their investment capacity is probably insufficient to amass all these equipments in a short time, though. A full set of these machines would allow already a small-scale, semi-industrial production of series of products with repeated quality standard. But even some of these investments would allow a move to more systematic production planning and production flows, thus making the operation more efficient. An important notion is that the more mechanized production would enable also the use of jigs¹ and other simple facilitating devices to upgrade consistency in measures, jointing and precision finishing.

It is strongly advised that the new investments be prioritized by an expert like Mr. Ngoc, who can also consider the different financing options of each investment together with the cooperative and external service providers like ITC.

6. ASSESSMENT OF WOOD PRODUCTS TRADE

6.1 Types of Customers

Most of the wooden craft items are sold directly to visitors in Kim Bong. This holds particularly true for small handicrafts, which are usually sold in the workshop. For larger items and furniture, also mail delivery and delivery against order is used. In this case, the only customer type is a visiting foreign tourist. Unfortunate for Kim Bong, the visitors are often a bit “worn out” by the time of their visit, because Hoi An and KB are usually the last stop in a longer journey (e.g. the tour package of three World Heritage Sites).

For self-arranged day-trippers, KB should offer more casual pass-time attractions and also attune its small curio offering for their needs. Back-packers may look for somewhat different items than tourists visiting KB on an organized trip. For example, the textile curios are largely lacking in Kim Bong.

Items put on offer in Kim Bong are not typically Vietnamese household items for local consumption, but target mainly foreign visitors. Vietnamese tourists seldom make more than small curio purchases in Kim Bong, as prices tend to be 10-20% higher in KB than in Hanoi, for instance. It appears that KB attempt to collect higher prices are motivated by its isolated

¹ A jig is a self-constructed appliance that facilitates production, lowers labor costs and improves product quality. The use of jigs enables the production of interchangeable parts and avoids manual adaptations in the assembly of the final product. Machining and assembly jigs are commonly used in furniture and joinery factories, but can also serve the same purpose in any wooden craft products composed of parts.

location and - being a small community - selling everything without great competition. In Hanoi and its surroundings, the competition is so fierce that prices fall inevitably.

6.2 Workshop as a Shopping Environment

The Huynh workshop in KB is not purpose-designed to attract and please visitors. The showroom is of proper size in relation to the working area, but the latter appears little congested and un-clean partly because of the layout. Also the visiting area gets crowded very easily, and people wonder where they can go and where they are not allowed. The workshop staff is not ready to guide visitors, as this task is left for the tour guide with English language skills. Approach to visitors is rather passive, and they do not easily get to observe the carving in action due to cramped layout. Here also comes in the difficulty of balancing traditional and neat workshop with modern quality production and machinery. If only hand tools were allowed, the ethnic aspect would be more visible and interesting. On the other hand, the making of furniture without power tools may not reach the buyer's quality expectations. Traditional craft and modern quality do not easily match in a "tourist-friendly" way.

At the minimum, there ought to be refreshments served and pleasant seating offered for visitors. Apparently such plans are in advanced stages by the management of the workshop. They either extend their premises or move much of the promotion and courting of visitors to the Crafts Centre. This would be a wise decision and it ITC should facilitate it by means of brokering a deal on the use of the Crafts Center building without a further delay.

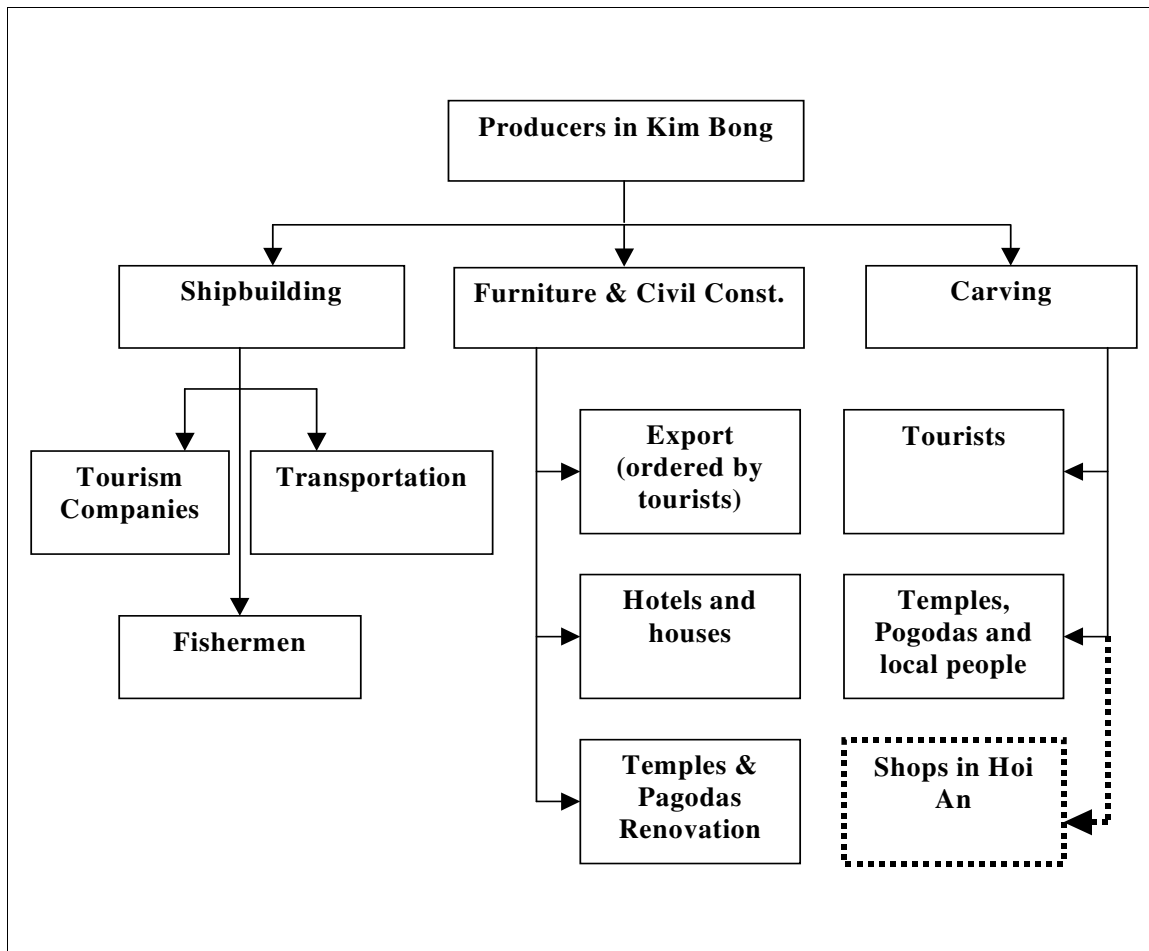
Clear brochures with product prices and e-mail order coupons would make it a lot easier to place orders after the visit, rather than trying to put the details together inside the crowded and noisy showroom. Also the mail ordering service kiosk could be placed at the Crafts Centre, rather than inside the workshop.

The management openly admits lacking the necessary marketing skills and ability to improve such knowledge on their own. Any improvement in this regard is highly desired. Most likely, a sales person would fill this gap better than training the workshop staff.

6.3 Market Segments for Kim Bong Wood Products

The following figure clarifies the types of market segments and buyers for the main product lines produced of wood in Kim Bong. It has to be remembered that not all carved items are manufactured in Kim Bong, but often arrive from competing craft villages.

Figure 6.1 Main Market Segments for Kim Bong Products



Source: adapted from Mr. Le Ba Ngoc: Report on Carpentry in Kim Bong (Fieldwork report Oct. 2003)

6.4 Observations on Prices

Prices in Kim Bong were generally higher than in Hanoi for handicrafts. Some examples follow:

- direct exports: \$600 for 8 chair + table garden furniture
- Hoi An (all the following items): four season carved large pictures \$150-520,
- Vietnam girl statue \$1,50-5,00,
- small to medium height Buddha statue \$4-30,
- four seasons carved pictures \$13-30 per set,
- peace-happiness-long life wall hanging set \$8,
- foldable bamboo lanterns \$1-6-14 per size, wooden \$2-10-20.

In some products, the prices could be increased by simple product enhancements. The wall-hanging carved pictures could be sold with a matching frames, instead of a flat square we see today everywhere. Somebody would have to modernize the traditional product concept and cash it in.

6.5 Market Requirements

In international trade, the gradual lowering and even removal of tariff-barriers has led into the rise of so-called non-tariff barriers to replace them. Even this can be seen as a form of neo-protectionism by the importing developed countries, it is also an indication of willingness to avoid exploitation of the environment and the workforce in the developing countries. South-East Asia has become a prime region for taking over much of the labor-intensive manufacturing, so Vietnam is a case country that attracts a lot of attention from consumers and professional buyers.

Technical market requirements in the local market are met by Kim Bong producers, even though their quality is no way superior to local competitors. Internationally, there remains a lot of room for improvement in terms of obeying the existing health, social, environmental and technical demands for manufacturing such products. The internationally acknowledged technical quality standards (even without being legally binding), and decent labor conditions are the usual bottlenecks of prospecting direct exporters to foreign markets.

Some very basic requirements for wood-based products in the EU and North American markets can be summarized in the following way:

- Avoid at all cost the destruction of tropical natural forest and be prepared to demonstrate sustainability e.g. through certification and re-planting of trees.
- Avoid the reputation of inferior social conditions and long working hours of your workforce. Engage with training and community development as a company PR/social responsibility activity.
- Refer to the ILO basic working condition convention and occupational health and safety measures as a guideline that your company follows to the extent possible.
- Avoid using PCP and formaldehyde-emitting glues and lacquers, but if you have to, be prepared to show test results of acceptable emission levels.
- Try to refer the technical quality of products with some international set of quality standards under ISO or a national (DIN, NEN, BS, NF etc.) standard system.

As far as the social or labor conditions are concerned, no buyer's local code of conduct can be imposed on a developing country producer as a mandatory measure. No such mechanism exists by international law. On the other hand, many of buyers' groups and large retailers set similar "voluntary" agreements on a bilateral basis: their main interest is, however, not to become under the stigma of retailing "sweat-shop" products.

7. RECOMMENDATIONS

7.1 Trends to Catch in the International Markets

7.1.1 Trend-setting

This chapter has been elaborated in order to better understand how Kim Bong's fragile production base could capture some of the prevailing trends in the international (US, Europe) markets for wood-based and other natural material handicraft products. From the KB perspective, these markets are huge in size and distant to reach. But the assumption is that only understanding the trends in the larger market environment some timely product development can be made in the local levels. At the same time it hopefully spreads the

philosophy of extending the product ranges from purely wood-based items into the matching natural material items. These can either be parts of the wood products or complementary accessories or even stand-alone products serving the packaging or promotional service functions. This type of holistic thinking is starkly missing in Kim Bong, and it could potentially unite the cooperative behind a common vision of a wider product palette for tourism and export markets.

A valuable source for this chapter and the ideas it sets forth is the *Trend Report 2004* by the Crafts Centre at CHS International. The most relevant reflections of this report have been picked up to open a wider perspective on developing Kim Bong product offering in the future. It is highly recommendable that Mr. Ngoc or a similar expert interprets the key messages of this chapter for the Kim Bong craft makers in some early kick-off meeting or workshop.

In the US, the following mega-trends, which bear relevance to KB products, were observed in 2004:

- Living and dining rooms are becoming more casual
- Seasonal decoration is “in”
- Outdoor living and dining is in fashion
- Environmentally friendly materials and products appeal to consumers
- Multi-functionality and organization are important factors in furniture

Various product segments are described in the following.

7.1.2 Product Opportunities for the International Buyers

Wooden Home Accent Furniture

This segment is highly attainable for KB workshop manufacturing, based on the observed level of manufacturing skills and short series of production. Accent furniture falls outside the basic dining, living and kitchen furniture ranges. It finds its role in the smaller, casual and miscellaneous items, sometimes referred as “occasional furniture” due to its complementary role in home furnishing. Typical items are side or corner tables, magazine tables, standing small shelves (*etageres*), nesting and pedestal tables, small chairs, etc.

These items are usually small in dimensions, they provide only accessory service as furniture, and tend to be flexible in designs. Importantly, they are affordable for personalizing the homes without much discerning. Such items are much preferred by the furniture and home décor shops in the US and Europe, because their promotion is easy and demand steady.

One saleable argument is a series of matching style of chairs in three heights: dining, counter and bar versions. These are easy to make in three sizes, partly of matching components, and they attune well with any house furnishing idea. Natural fibers and woven mats can be used for seat cushioning or backs.

Benches and ottomans

Wooden benches appear to have made a comeback, particularly the small-sized ones for hallways, bedsides and children’s rooms. The more movable and multi-functional the bench is, the better. Even though bare wooden benches still dominate, they are nowadays more often

covered with cushioning of natural fibers or fabrics. Reed is one popular a covering material. Sea grass and banana leaf are coming into demand gradually.

Ottomans have remained as one favorite item in adding some extra seating into a house, fully mobile for fitting into any room or function. Rattan and bamboo, as well as other natural fibers fit well in contemporary designs, and extra fabric cushions may be sold as accessories.

Lighting Apparel

One opportunity without a doubt is the lamp and lantern segment, where to KB skills could be perhaps extended with little extra training. Foldable lampshades and lanterns can also combine wood, bamboo, rattan and sea grass or similar woven materials in highly attractive designs and colors. Most often these are sold without the bulb nests or cords, what also helps in overcoming any electricity appliance or fire safety standards before exports.

The production of three to four types of lanterns with the same style (but differing on size or placement) is so far missing at KB. Particularly the foldable lampshade/lantern fashion could be better tapped if different sizes would be fitted inside each other for transportation. In addition, all the placement options would better be served for, meaning e.g. a tall floor-standing, a shorter table-standing, a wall-mounted and a hanging lampshade/lantern - all with a matching style.

Light structures and soft-tone natural fiber designs can nowadays be much seen in interior shops in Europe and the US. These are typically produced and sold in Hoi An, but not yet in Kim Bong.

A spin-off from the electrical lampshades & lanterns would be candleholders, either for floors or for tables. Tall (36-72 inches) candleholders are usually sold in sets of three, and they have become more popular spread around living and dining rooms.

Framing Products

Mirror, photograph and picture frames are one lasting item in the past years' decorative palette. Picture frames are simply high-quality mouldings, with surface finishes corresponding to the quality of the wood, cut at a bevel and assembled. Tolerances for dimensions are strict: at around 0.1 mm in final product, and profiles vary enormously from simple to sophisticated. Picture frames require 8-10% moisture content, which can be most efficiently achieved in kiln-drying (this gives relevance for KB kiln-drying investment plans).

As the dimensions are usually small, this application provides opportunities for efficient use of off-cuts and processing waste. Painted frames are a potential outlet for lesser-used species or plantation woods, which could replace higher-value species.

Some framing products can be covered with a primer, others come lacquered or with foil or even wood veneer overlay. Thus they can accommodate finger-jointed and lower-grade solid wood. Sapwood is normally allowed only on the non-exposed side of frame (unless painted), or not allowed at all for the highest quality pieces. A lot of value can be added by means of a decorative painted design, which opens opportunity for local creative talent and artistic handwork. Frames can also carry embedded decorative items made of other materials. Supply

of a collection with 3-4 sizes is a must, because they are expected to serve a variety of decorative ideas within a home/room.

Only a short step onwards from frames will bring small racks and holders into the product palette. Assembly of these can utilize similar frame designs and as a result, a series of matching small wall-hanging items can be produced. Currently, there are very few framed items for sale in Kim Bong - or even in Hoi An. The wooden carved paintings do not have a separate frame, but instead the frame comes as a part of the product structure. Some metal-glossy bright colored articles (bowels, plates, jewelry boxes) feature the surfacing techniques that could be used for high-quality framing as well.

Garden and Patio Products

Garden and outdoor accessories is a growing market segment to products that can be made of smaller-dimension hardwoods and even plantation woods. Decking boards for terraces and garden structures have become hugely popular in Europe, particularly in the UK and France, and the same holds true for North America. It is an easy product to manufacture, compact for transports so that approximately 4,000 long boards can fill up a 40-feet container. Decking can be treated or untreated depending on the natural durability and climate at end user market. Value-adding opportunities can be captured by means of cut-to length stock, preassembled fittings or ready-to assemble components and outdoor furniture. The further the products are elaborated, the steeper the added value curve increases. Usually, much of the added value is created by the foreign garden/decking contractors and distributors, who conceptualize, assemble and distribute the final products.

Based on the Kim Bong workshop review, the range of their garden furniture needs complementary items. Today the offering is solely on table & chair combinations with a couple of copied designs. Complete sets of matching ready-to-assemble components and accessories could be developed with relatively small effort. At the same time, the number of designs would need to be increased and an identifiable Kim Bong brand established.

Small products for children

This is a growing, and very heterogeneous product segment. Wooden toys for exports are normally a serial production business – much dominated by China - and it can be divided to certain key segments:

- push-pull toys (cars, trains, boats)
- building and construction sets (simple geometric forms)
- educational toys (puzzles, boards of veneer, plywood, solid wood)
- riding toys (bigger items)
- children's furniture (dimensionally reduced, similar items but simpler materials & finishes than in regular furniture)
- playground items (recently standardized in the European Union)

Asian sources, predominantly China, have a controlling share of the world's wooden toy business. The toy manufacturing can utilize extremely well the smallest pieces of wood available, thus rendering high raw material efficiency. Color variation is not a great problem for toys: in fact it can be a positive product attribute. Besides, many items are stained or painted anyway. Plantation-grown rubberwood has become one major raw material, even

though it has raised some health concerns over the use of boron in initial anti-stain treatment. Toy making is still highly labor-intensive craft. Children's furniture items tend to be simplistic, but their strength and other health requirements need to be fulfilled by all prospective suppliers.

Kitchen utensils range

This category appeared to be lacking in wood products of Kim Bong. Practical, yet authentically designed small utensils are a common tourist article in many resorts and urban souvenir marketplaces around the world. Extending the KB offering into this segment would need design observation from the leading kitchen trends, featured e.g. in the French *Cuisines & Bains* magazine.

7.2 Suggested Improvements

7.2.1 Product Development and Competitiveness

Situation with existing products is the following (based on the assessment by the writer and Mr. Ngoc):

- Most products in Hoi An not made in Kim Bong (Ha Tay, HCM).
- As for the products from other provinces (like chopstick boxes, clogs, jewelry boxes, modern figurative statuettes, etc.) KB is not competitive in terms of quality, or price.
- "Original" KB products have limited growth potential: in small wall pictures it is neutral, in plates it is fair, in traditional statuettes it is low, in stools growth potential is fair.

Need for new products exists, and development work should focus on the following ones:

- Diversify into practical kitchen utensils range, clogs, miniature range (statuettes), knock-down small souvenir boats, improved foldable lanterns (bamboo & wood), wider range of furniture (western style, modern, Japanese, occasional small items), expand garden accessories.
- Need to combine natural materials like bamboo, rattan and weaving fibers with wood frames in furniture items.
- Design capacity: improve access to Vietnamese designs (magazines, catalogues, Internet), introduce foreign sources of designs: IKEA, Habitat catalogues, mail order houses La Redoute, Neckermann, Otto, leaflets of major chains, etc. Important trend-setting magazines include Art & Decoration, Elle Décor, Marie Claire Maison, (France), Interior Design (USA), House & Garden (USA, the UK), to name a few.

Training needs:

- Entrepreneurial skills: business planning, effective sales work at workshop & Crafts Centre, proactive marketing (Internet page use of e-mail).
- Establish and maintain a Market Information System (MIS) to facilitate small producers' access to commercial details and product requirements on their products.

7.2.2 Promotion Strategy

Local promotion strategy would be needed as an immediate measure:

- Print & distribute promotional materials, to Hoi An hotels, Crafts Centre, tour guides, Internet and e-mail to incoming passengers.
- Vietnamese tourists: small items on a price range up to \$5: open a shop in Hoi An to reach Viet tourists.
- Foreign tourists: lengthen their stays in the village, utilize Crafts Centre for marketing & demonstration of products, open cafeteria and make it a pleasant shopping environment, familiarize visitors with hassle-free shipping delivery.

Direct export promotion strategy in the foreseeable future:

- Promotional materials same as above, and link KB to a presently active Japanese investor in Hoi An and IKEA-GTZ rattan project (Mr. Ngoc has details on these),
- Target new products firstly for buyers from Germany, France, UK (50% of EU-15 market), and secondarily into Japan, US, Australia. Aim at reaching the necessary skills and volumes to start a sustainable business on visitors' direct and e-mail order exports, and upon need network with other craft villages to fill up volume requirements.

7.3 Priority of Action Proposals

This list represents the writer's view about prioritizing the actions in Kim Bong village with the help of Mr. Ngoc, and backed by ITC. This type of next steps -listing was specifically requested by ITC after the draft report by the Consultant.

1. ITC needs to broker a deal on the use of the Crafts Center building without any further delay. Parties to reach consensus are the cooperative, Kim Bong commune, Hoi An Commerce & Tourism Department, Economic Department of Hoi An and Hoi An People's Committee.
2. Furnish the Crafts Centre with a permanent display of Kim Bong handicrafts and furniture put on sale. Create the promotional function and key message for the Crafts Centre to attract visitors' attention to the crafts traditions of Kim Bong.
3. Help developing illustrated product brochures with prices and cultural background stories on village and products (more than small product tags can convey). Annex e-mail order coupons in same prints. Establish a mail ordering service kiosk at the Crafts Centre if possible.
4. Improve the promotion of existing products to a wider potential clientele. Use proactive marketing to inform incoming tourists through e-mail in collaboration with tourist guides & tour agencies. Distribute more sales materials and leaflets in Hoi An city (e.g. in collaboration with WWF "Conservation Café" (Café Hai).
5. Create a collaboration between ITC and WWF for the purpose of encouraging the local wood users to substitute rare tropical timbers with certified (legal & sustainable) timbers from WWF-recommended or planted forests. This will be a gradual process that requires the employing of a new *modus operandi*, as neither of the two parties have tangible experience on similar practices on commune level in Vietnam. Try also to capture the goodwill image of WWF for promoting Kim Bong to foreign tourists (eco-ethnic village tourism).
6. Consult crafts makers about possible new product lines, and help them creating new collections of crafts that step outside the very traditional mainstream souvenirs that they rely on today. Possible new product lines have been suggested in this report, including e.g. kitchen utensils, clogs, improved foldable lanterns (bamboo & wood), knock-down small souvenir items like boats, furniture for the occasional/accent furniture range, and garden accessories. The idea is to catch more opportunities in the fast-growth lifestyle segment. Different natural materials should be blended more freely. The trend chapter of this report has captured more product opportunities, and it highlights the collections as a way to build up product families for creating a market pull for matching items.

7. Draw an upgrading plan for the workshop and individual manufacturers on acquiring new designs, mastering appropriate technology, improving working skills & motivation, adding value to products with better finishing, displaying and promoting products more professionally).
8. Guide the above steps in practice by providing initial mentoring (kick-off), setting objectives and intermediate targets, provide training in implementation phase, and assess success afterwards (lessons learned). These activities would greatly benefit from a closer collaboration with local service providers like COOPSME, and international projects of e.g. DED (Germany), the French and the Japanese around Hoi An and the Quang Nam province.

Annex 1. Fieldwork Mission in Brief

The fieldwork in Kim Bong was carried out in close collaboration with the national consultant, Mr. Le Ba Ngoc, on 23-30 August 2005. The mission of the international consultant was greatly supported by a stock taking of local carpentry practices, which was previously undertaken by Mr. Ngoc.

Meetings took place in the Kim Bong craft village with the carpentry workshop, with the Hoi An Commerce & Tourism Department, with Viet Duc Wood Processing Co., and with COOPSME & DED (Deutscher Entwicklungsdienst). A broader perspective on the CBT activities was acquired with a roundtrip in the Cam Kim commune. In addition, ITC's and VIETRADE's offices were visited in Hanoi. A wooden handicraft (statuettes) village in the outskirts of Hanoi was visited for comparison purpose. Importantly, relations were established with WWF Indochina's Vietnam Programme, namely with Mr. Barney Long in Tam Ky and Mr. Fergus MacDonald in Hanoi. *Ad hoc* assistance was arranged for the river clean-up exercise of WWF in Hoi An, in the form of purchasing masks and gloves for the clean-up volunteers in the name of ITC.

The preliminary findings of the fieldwork were presented to and discussed at a mini-workshop at the Hoi An Tourism Commerce & Tourism Department on 30 August. The audience included the Cooperatives Union of Quang Nam Province, COOPSME Vice-President Mr. Tien, one UNESCO volunteer, one local tourist guide (Hoi An), and representatives from the Hoi An Tourism Department and Cam Kim commune.

Afterwards, a discussion on the future potentials for CBT in various parts of the country was held with Vietnam National Administration of Tourism (VNAT) in Hanoi. Its International Cooperation Department Director Mr. Pham Quang Hung was briefed on the mission. The visit was very timely because Mr. Huong was referring to a World Tourism Organization's ST-EP Programme Report entitled "Tourism and Poverty Alleviation in Vietnam: Identification of Pilot Projects". VNAT had just received a UK-consultant's report outlining the recommendations of this work in Vietnam. At least Hai Duong and Ha Tay had been selected as regions for craft village development.

Annex 2. Government Policies on Crafts Development in Vietnam

Issue	Regulation and Decision	Agency
Regional Development	Decision No. 132/2000/QĐ-TTg of November 24, 2000 on a Number of Policies to Encourage the Development of Rural Trades	Government
	Circular 84/2002/TT-BTC dated 26 September, 2002 Giving guidance on financial incentives to encourage the development of craft industries	Ministry of Finance (MOF)
	Official letter No.670/BNN- TCBC dated 26 March, 2003 Giving guidance on training and development of rural craft industries	Ministry of Agriculture and Rural Development (MARD)
	Decision No. 132/2001/QĐ-TTg of September 7, 2001 on Financial Mechanisms for the Implementation of the Programs on Developing Rural Traffic Roads, Infrastructure for Aquaculture and Infrastructure in Rural Craft Villages	Ministry of Finance (MOF)
Poverty Alleviation	Decision No. 143/2001/QĐ-TTg of September 27, 2001 Approving the National Target Program on Hunger Elimination, Poverty Alleviation and Employment in the 2001-2005 Period	Ministry of Labour, Invalid and Social Affairs (MOLISA)
	Decision No. 138/2000/QĐ-TTg of November 29, 2000 on the Integration of the Segmentation Projects, The Project on Support of Ethnic Minorities. People Meeting with Special Difficulties, The Program on Building Centers of Mountain and Highland Commune Clusters into the Program on Socio-Economic Development of Mountainous, Deep-lying and Remote Communes Meeting with Great Difficulties	CEM, Ministry of Planning and Investment (MPI), MOF, MOLISA, MARD
	Decision No.3/1998/QH10 of May 20, 1998, The Law on Domestic Investment Promotion (amended)	Government
Investment Promotion	Decree No. 51/1999/ND-CP of July 8, 1999 Detailing the Implementation of Law No. 03/1998/QH10 on Domestic Investment Promotion (amended)	MPI
	Circular No 02/1999/TT-BKH dated 24 September, 1999 Instructing procedures for granting investment incentives in compliance with the Decree No 51/1999/ND-CP	Ministry of Planning & Investment
	Circular No 22/2001/TT-BTC dated 3 April, 2001 on Instructing the implementation of tax exemption and deduction for the objects of these investment incentives in compliance with the Decree No 51/1999/ND-CP dated 8/7/1999 of the Government.	Ministry of Finance
	Decision No. 195/1999/QĐ-TTg by the Prime Minister on Establishment of Export Promotion Fund	Prime Minister
Export Promotion	Decision No. 46/2001/QĐ-TTg of April 4, 2001 on the Management of Export and Import Goods in the 2001-2005 Period	Ministry of Trade (MoT)
	Decision No.02/2001/QĐ-TTg dated 2 January, 2001 on Policies to support investment from Development Assistance Fund toward export processing projects	MPI
	Decree No. 90/2001/ND-CP of November 23, 2001 on Support for Development of Small and Medium Enterprises	MPI
SME Promotion	Decree No. 02/2000/ND-CP of February 3, 2000 on Business Registration	MPI
	Decision No. 124/2003/QĐ-TTg of June 17 2003 approving cultural preservation and development for minority groups in Vietnam to fully utilize traditional crafts	Ministry of Culture and Information (MOCI)
Craft Village Criteria	Regulation (official, provisional) on craft village and traditional craft village criteria	DOI & DARD
Craft Development Plans	a. Decision on Formulation of Industry & Cottage Industry Development Program by 2010	DOI & DARD
	b. Human Resource Development Plan	
	c. Raw Materials Area Development Program	
	d. Craft Product Quality Improvement and Development Project (design improvement using new materials and technologies)	
	e. Infrastructure Development for Craft Villages and Craft Clusters	
Craft Investment	Investment program for industrial production development (or industrial extension program) + to support SMEs + to support development of crafts and craft villages + to identify sites and investment projects provided with preferential conditions in craft villages	
Market Development	a. Provide craft (and other goods) exportation bonus	
	b. Provide support and assistance in market development, trade promotion, exhibition participation, market information	
	c. Craft village tourism development	
Traditional Value Preservation	a. Revival and development of traditional crafts and craft villages	
	b. Craft development while preserving traditional values in the products	
Support for Ethnic Minorities	Policies and Decisions related to craft promotion and development for minority groups	

References:

Distribution Chain of Wood Craft Products in Ha Tay & Quang Nam Province. Author Mr. Le Ba Ngoc. August 2003. Hanoi, Vietnam.

EPRP Consultancy Report by Ms. Lisa Choegyal. Kim Bong Village Community-Based Tourism Project. ITC/DTCC/05/2758. Restricted. January 2005. Geneva, Switzerland.

EPRP Consultancy Report by Ms. Saskia Marx. Kim Bong Village – Quang Nam Community-Based Tourism Project. ITC/DTCC/05/2772. Restricted. April 2005. Geneva, Switzerland.

Gifts & decorative articles. EU Market Survey 2004. Centre for the Promotion of Imports from Developing Countries (CBI). The Netherlands. October 2004.

Report on Carpentry in Kim Bong. Author Mr. Le Ba Ngoc. Fieldwork report October 2003. Hanoi, Vietnam.

Trend Report 2004. The Crafts Centre at CHS International. Author Lyn Nelson. 2004.

WWF Indochina leaflets on sustainable eco-tourism in Hoi An and website on Global Forest & Trade Network (GFTN). 2005

Several unpublished write-ups and fieldwork notes by Mr. Le Ba Ngoc.