

COTTAGE INDUSTRIES

# New room at the top

Cottage industries are enjoying a boom these days. The growth has been so spectacular that, from virtually nothing in 1962, exports from cottage industries have jumped to No. 6 among the country's major export products. Annual sales now exceed P250 million (about \$37 million).

This can only mean two things: more dollars for the country and more jobs for thousands of Filipinos, long beset by an endemic unemployment and underemployment problem.

What brought about this boom? One factor is the respect that Philippine handicrafts have been gaining abroad. Another is the fact that Filipinos are discarding their propensity for foreign-made goods and are turning more and more to home-made ones, both out of a growing pride in their own products and the realization that, in terms of quality, Philippine-made items can compare favorably with their "stateside" counterparts.

Today, both local and foreign buyers are competing with each other in purchasing finely crafted furniture, carpets, capiz lamps, wall decor, woodcarvings and other articles born out of Filipino ingenuity and art. It is estimated that as much volume as that sent abroad, if not more, is being sold in local supermarkets, gift shops and even "sari-sari" stores.

These products are being turned out by more than 40,000 small and medium-scale enterprises now registered with the National Cottage Industries Development Authority (NACIDA), the government agency set up in 1962 to develop, stimulate, regulate and expand what used to be a chancy economic venture in some cramped household or tree-shaded yard.



Handicraft products on display: both for local and foreign markets.

"We will continue to expect a consistent rise in these exports," says Mario Reyes, the NACIDA's 36-year-old administrator.

He explains it thus: "Cottage wares, although they proliferate in other countries, compete almost insignificantly with their own kind because of their novelty, which is the touchstone of our stage in craftsmanship."

That novelty has been paying off handsomely for Philippine products. Between 1962 and 1969, Mr. Reyes said, there was a staggering average increase of 1,020 percent in the exports

of six major cottage industries, namely: woodcraft, food preservation, matweaving, shellcraft, bamboo and rattanrafts, and fibercraft. In woodcraft alone, exports rose by 2,000 percent; food preservation, also 2,000 percent; matweaving, 1,000 percent; shellcraft, 500 percent; bamboo and rattanrafts, 350 percent; and fibercraft, 300 percent.

Three years after NACIDA's creation, cottage-industry exports brought in the dollar equivalent of P29,879,918. In 1966, exports increased by P4 million and in 1969, by

about North Vietnam although unconfirmed reports indicate that the country would tend to simulate her southern neighbor.

However, as reported by Emilio Cordova Jr., the Philippine labor attache for Indochina and Thailand, the prospects for Filipino labor in the area remain bright. He points out to the Nomura Economic Research Institute report, which places the reconstruction needs of both North and South Vietnam at between 12 and 15 billion US dollars, over the next ten years.

The bulk of that will not be in cash but in technical help and materials.

A strong point for Filipino labor in the coming reconstruction work in Indochina is its large, by Asian standards, pool of trained technicians familiar with Western-type equipment and work procedures all available at comparatively, by Western standards, lower cost.

While Western aid to Indochina would necessarily take many forms, one major preoccupation will be the rehabilitation of damaged infrastructure in all aspects of government services—health, transportation, education, public works, commerce and trade.

Cordova reports that Cambodia alone needs over 2,000 technicians and over 6,000 skilled workers in its proposed industrialization program—in the electrification, mining and construction fields.

South Vietnam will have to rebuild at least 2,000 bridges, repair gaps in

its rail lines, rebuild schools and hospitals and repair almost 2,000 miles of primary two-lane roads.

To assure Filipino participation in this massive reconstruction work, according to Cordova, it is imperative that representations on a government-to-government level be made with the countries known to take part in the projected reconstruction program.

This would indicate labor agreements with the United States, Japan, West Germany, the United Kingdom, France, Australia, the Republic of Korea and the other Asian nations which have indicated their readiness to help in Indochina's reconstruction.

Conferences on the ministerial level among the nations in regional alliances would likewise be in order.

Of necessity, top-level representations have to be made with the aid recipient countries not only with regard to the utilization of Filipino labor but the availability of Philippine materials and products.

On this score, what can be readily said is that while Filipino labor is competitive, Philippine products are comparatively uncompetitive.

Filipino labor deployment in Indochina in the past decade undoubtedly earned a sizeable chunk of foreign exchange, but whether or not this has contributed much to the national income, is deserving of more study.

P21 million. By 1970, cottage-industry exports had reached P182,266,000. Statistics for the first 10 months of 1972 showed a total export of P200,428,660.

With this rate of increase, cottage-industry exports can be expected in a few years' time to come to within "striking distance" of the country's five other leading export products. These are sugar, P1.38 billion; logs and lumber, P1.3 billion; copper concentrates, P966 million; copra, P679 million; and coconut oil, P643 million.

Apart from the increasing desirability of Philippine-made handicrafts both at home and abroad, the rapid growth of cottage industries is also due to the incentives granted to small-time producers with capitalization of P15,000 or less. These incentives include tax exemptions for sales of up to P200,000; tax exemptions for importation of equipment, accessibility to government credit and loan facilities, technical assistance through manpower training, and aid in the procurement of raw materials, marketing and promotion.

NACIDA has also entered into direct trading with producers to eliminate middlemen and thus reduce market costs. Under this system, NACIDA consigns or directly exports the products of small-time producers with only a minimum markup of 5 percent.

Other producers have started their own export trade by simply contacting outlets abroad through the help of government agencies. Under this arrangement, they say they find it much easier to export than to find a local market for their products.

To ensure that only good-quality handicrafts are sent abroad, the NACIDA set up an office at the Bureau of Customs to check outgoing products. Officials are aware that a few pieces of low-quality goods can wreak havoc on the industry overnight. NACIDA also established a technological and development center in Manila, the nation's shoe-making capital, to improve techniques in the manufacture of cottage products.

The expansion of cottage industries will not only help solve the unemployment and underemployment problem, but even help hasten the industrialization of the country. Mr. Reyes points out, for instance, that the amazing growth of Japan's electronics industry—to an extent where it outpaced similar industries in other countries—was due mainly to its reliance on small and medium-scale cottage industries to supply the electronic components.

To achieve the same success, however, Reyes proposes the abandonment of the old concepts in cottage industries, which in the past resulted in widely scattered efforts and, ultimately, in substantial contributions to national development.

From the initial, but already astounding success thus far made, there is every reason to believe that cottage industries can be made to play a bigger role in the country's economic growth.

The hundreds of success stories, like that of the Tesoros who, after a modest start, made millions in the export of handicrafts, provide the best proof that Filipinos, given the necessary incentives, can work in partnership with the government to realize the dream of industrialization and economic self-sufficiency.

PHILIPPINE LABOR

## Bright prospects in Indochina

SAIGON — Filipino labor, both skilled and semi-skilled, made its mark in Indochina in the decade before the ceasefire. It slackened considerably with the phasing out of foreign troops, but with the massive reconstruction and rehabilitation plan for the whole region over the next decade, it stands an excellent chance of repeating what is considered a generally creditable performance.

Numbering about 8,000 in the late 1960s, Filipino laborers today in the region barely total 2,500—about 700 each in South Vietnam and Laos, about 200 in Cambodia, and 976 in Thailand.

Thailand is included in this account for reasons of proximity and the fact that American organizations displaced from Indochina by the provisions of the Paris ceasefire agreement have moved to that country and have expressed preference for Filipino labor.

Labor policies in Thailand and South Vietnam are necessarily restrictive especially in the case of the latter because of its own problem of relocating a substantial portion of its 1.1-million-armed forces into peacetime jobs. Those in Laos and Cambodia are more lenient; not much is known