REDRESSING ADVANTAGE – EXPORT DEVELOPMENT, POVERTY REDUCTION AND AFFIRMATIVE ACTION THROUGH ONE TAMBON ONE PRODUCT (OTOP)

A paper contributed by the Thailand National Strategy Team
Globalization has had a direct impact on international trade and the world economy will continue to change in the future, driven by gains in efficiency through technological advances and subject to fluctuating trade and finance circumstances, as well as to social and political upheavals that affect many countries around the globe and have an inevitable economic impact. Thus, building a solid economic foundation is a necessity to ensure the nation can cope with whatever problems and issues that may arise.

For a very long time, exports have made a major contribution to national income, but the scope of international trade has extended greatly, making exports of goods and services only one component in international trade. Accordingly, the DEP is adapting its role to the changing trade environment in response to the new world economy. Now, other factors have priority, such as value creation, which derives from the use of technology, research and development, product and packaging design, brand names, consumer preferences, as well as a social and environmental responsibility.

Like many developing countries in the world, the structure of Thai economy has changed from an agricultural-based to an industry-oriented and an agro-industry. This factor is the major cause of an influx of migration of rural people to big cities with high hopes for better-paid jobs in the industries. The industrial sector also became more export-oriented. However, as the most exported products are still from the OEM industries and large multi-national corporations, the true ability of Thai people especially in refined craftsmanship are still being hindered.

The income gap between the poor in rural villages and the rich living luxurious lives are also widening as the migrated villagers often ended up in cheap labor pools. Promises to send money to aging parents and young ones at home thus could not be kept up, leaving the villagers poorer than ever.

Having these concerns in mind, as well as realizing the potential of products made from local wisdom and elaborate skills, the government established the One Tambon (Village) One Product (OTOP) policy to generate incomes of the villagers and empowering people in the local communities to be more self-reliant, consequently, improve their standard of living.

The concept of OTOP is based on the idea of “the wisdom at the bottom of the pyramid.” Local communities, at the foundation of the pyramid, utilize local resources, indigenous knowledge, skills and creativity to make products unique to their localities. The concept also encourages and stimulates a constant self-learning process of the people for sustainable development. In addition, the project provides supports that will help them move up levels of the pyramid to become SME entrepreneurs and even enhance their competitiveness in the global markets. Local communities are encouraged to develop their own attractive OTOP products utilizing local materials, wisdom and skills, which are acquired through a village brainstorming, and working collaboration process. The entire village benefits from each sale they make. The OTOP program creates jobs and income for many Thais in the rural and provincial areas.
Indeed, OTOP project is not only aimed at producing and selling the products. The parameter of the project involves environment protection and preservation of culture and local wisdom. Importantly, OTOP project is congruent with His Majesty the King’s Sufficiency Economy philosophy in the way that it promotes self-reliance and supports amongst local communities, making them become more resilient to changes in economic and other global impacts.

The government administered and implemented various policies to improve the standard of living of people in the rural areas, which are one of top priorities on its National Economic and Social Development Plan. Amongst those efforts was the creation of a systematic roadmap for OTOP project, carried out by parties consisting of various public and private organizations. The National OTOP Administrative Committee (NOAC) and sub-committees were formed to perform integrated tasks, according to their specialization. Ministry of Interior is responsible for assisting locals and preparing them for the project, the Ministry of Agriculture and Cooperatives provides assistance in agricultural production aspects, the Ministry of Industry deals with product development and standardization, and the Ministry of Commerce is in charge of marketing, both local and export markets.

The NOAC set plans for an overall and conjunctive development by providing support and guidance in the following aspects:

- Organize workshops and seminars to educate and train the locals
- Develop leaders to be project managers or representatives of the community groups
- Encourage network building between communities
- Introduce standard business concept including planning, marketing, and product development, etc.
- Identify suitable markets and find effective channels of distribution
- Enhance marketability of the products by introducing them to value creation techniques, attractive and practical packaging, new design with appeal to different demands, etc.
- Offer easily accessible trade information and assistance
- Establish promotion programs such as trade fairs, joint-promotion projects, business matching etc.

In order to be able to export OTOP products, most OTOP producers require support from the government and cooperation from private sectors. Unfortunately, not all products can be exported. The government must then focus its effort on ones that have potential. OTOP Product Champion (OPC) project was hence set forth to classify into 3 to 5 stars OTOP products, awarded mainly by their quality, marketability, design and functions, to enter the producers in the advance development programs, emphasizing on improving the designs and quality to match export level. Ones with 1 or 2 stars will receive advices and supports in fundamental business, production method, and design concepts, preparing them to advance to the next level.
As for export markets, the government provides a broader view on the consumers’ demands and product trends that most OTOP producers may not have access or accustom to. Workshops as well as joint-cooperation programs between producers and designers /manufacturers/ inter-traders (The “Inter-trader” program was established to encourage Thai exporters to become successful export entrepreneurs in international markets by providing a connection between overseas buyers/importers and Thai producers who lack export knowledge or experiences. A jointed effort between the Department and private trading companies with expertise in particular markets to help those producers. These inter-traders will play an important role in coordinating between overseas buyers/importers and Thai SMEs/OTOP entrepreneurs, which, being linked together by the government, definitely enhance export potential. Seminars in business also prepare producers to be professional and ethical exporters.

So far, OTOP project is successful not only in terms of generating more incomes but also in the area of self-development. Success reaps in a long – term period as the local economy become sustainable and ties within communities and neighboring networks are strengthened. The government takes great pride in “building” the locals by providing knowledge not just “feeding” them with fund. Today approximately 37,000 OTOP producers benefit from the project.

Total export value of OTOP during the past 5 year reached US$ 2.48 billion. Yet the success of OTOP went far beyond the figure. Upscale department stores such as Harrods, Selfridges, Takashimaya, just to name a few, have been showcasing OTOP products for many years. Handicrafts form local villagers become proud representatives of Thais in major cities around the world.

As for the future development of our One Tambon (Village) One Product project, the role of the government will be gradually declined while the role of private sectors and communities will be increased. The villagers themselves will be then strengthened and more self-reliant as we believe that the Thai economy will not be competitive if our grassroots foundation, the bottom of the pyramid, remains weak.

OTOP project is one of the many mechanisms that help the government accomplish its objectives. The performance measures to achieve not only the rising export values but also the equally prosperous and sustainable local communities as well as the social aspects. OTOP project creates jobs in localities so people can stay and work in their home provinces, earning substantial incomes and being self-reliance. Consequently, poverty (of both under-paid blue collar workers in the cities and farmers in rural areas) will be gradually diminished.

At present, OTOP products have not only expanded the country’s trade and generated the income of people in various communities, but have also been successful in resuscitating the skills, talent and knowledge of Thais in the modern age. The most significant thing is that the products have greatly enhanced the country image and is very likely to be permanently included in the world export cycle.