

Chapter 7

Guidance and Development Policy for Traditional and Special Local Industries

Local industries help to maintain steady economic development at the local level, and they also create jobs, facilitate the accumulation of financial resources, and contribute to the accumulation and transmission of industrial technology. Local industries play an important role in intra-community relations, helping to build trust between individuals and providing a foundation for collaboration. These industries are one of the factors that give local communities their unique character – they are a prop for local people’s livelihood, while also playing a part in the maintenance of social stability and, in many cases, coming to symbolize the spirit of the community. The prosperity or decline of local industries thus has a major impact on the economic foundations of the locality and on its economic and social development.

In the past, there has been a tendency to neglect traditional local industries. Some are located in remote areas, creating transportation problems, while others have fallen into decline through lack of innovation. In those industries where efforts have been made to diversify, the industry’s products have sometime lost their special features that gave the industry its unique character to begin with.

The Small and Medium Enterprise Administration (SMEA) of the Ministry of Economic Affairs (MOEA) began to provide guidance for the restructuring of traditional local industries back in 1989, leading the way for other government agencies to become involved. The Executive Yuan incorporated a “New Home Community Development Plan” into its “Challenge 2008 National Development Plan,” with the aim of revitalizing commercial activity at the local level and stimulating the development of innovative local industries and community industries. Through this initiative, the Executive Yuan hoped to promote the formation of a consensus within communities and encourage the transformation and development of

local industries as “special local industries” that reflect the characteristics of the community within which they are located, thereby providing stimulus for new business creation and job creation. Local industries thus have an important role to play within Taiwan’s national development planning.

I Traditional and Special Local Industries – Definitions and Categories

There are several characteristics that can safely be said to constitute preconditions for claiming the status of “traditional and special local industry”: the industry must be concentrated in a particular locality, such as a township, rural township, city, district, village, neighborhood, or community; it should make use of local raw materials and local labor; it is generally a long-established, labor-intensive industry; in some cases, the industry may be of great cultural or historical significance.

When providing guidance to traditional and special local industries, government agencies generally focus on those industries that fall within their own remit. For example, the SMEA has concentrated on those industries that are of particular historical importance, consumer-oriented, or in some way unique, and which have the potential to be developed into special local industries for a particular township, rural township, or district. For the Council of Cultural Affairs, Executive Yuan, traditional and special local industries are those with special cultural characteristics. The Council for Hakka Affairs, Executive Yuan, has focused on those industries that are characteristic of the Hakka districts of Taiwan, including special agricultural products, construction, wood-carving, ceramics, weaving, paper umbrella production, the restaurant business, and bed-and-breakfast operations. The Council of Agriculture has concentrated on providing guidance to industries such as tourist farm operations, specialty agricultural products, the operation of restaurants using local agricultural products, and innovative agricultural products, while the Council of Indigenous Peoples, Executive Yuan, has been encouraging the development of tourism in indigenous communities, handicrafts, and other industries unique to Taiwan’s indigenous peoples. The Commerce Department of the MOEA has focused on revitalizing declining business districts, whereas the Industrial Development Bureau (IDB), MOEA, has been promoting the

development of new industries and products, particularly those that are unique or emphasize high quality (Table 7-1-1). However, these initiatives all share a common goal, which is to breathe new life into local communities, create industries that have their own unique character, and get local industries to emphasize the competitiveness of their products and the development of new business opportunities.

Table 7-1-1 Types of Industries on Which Government Agencies Have Focused in their Promotion of Traditional and Special Local Industries

Government Agency	Main Emphasis of Local Industry Promotion Efforts
Small and Medium Enterprise Administration, Commerce Department, MOEA	Industries that are of particular historical importance, consumer-oriented, or unique, and which have the potential to be developed into special local industries for a particular township, rural township, or district
Industrial Development Bureau, MOEA	Small and medium-sized commercial enterprises
Council for Cultural Affairs, Executive Yuan	New industries and products, particularly those that are unique or emphasize high quality
Council of Agriculture, Executive Yuan	Local industries with special cultural characteristics
Council of Indigenous Peoples, Executive Yuan	Tourist farm operations, specialty agricultural products, operation of restaurants using local agricultural products, and innovative agricultural products
Council for Hakka Affairs, Executive Yuan	Development of tourism in indigenous communities, handicrafts and other industries unique to Taiwan's indigenous peoples
	Industries characteristic of the Hakka districts of Taiwan, including special agricultural products, construction, wood-carving, ceramics, weaving, paper umbrella production, the restaurant business, and bed-and-breakfast operation

This chapter does not cover those traditional and special local industries involved in the production of raw materials or intermediates, those producing goods for industrial use, or those involved in large-volume manufacturing. Examples of this type of industry include the machine tool industry in Fengyuan, Taichung County, the electronic components industry in Chungho, Taipei County, and the screw, nut, and bolt industry in Kangshan, Kaohsiung County.

On the basis of the definitions adopted by the various central government agencies, traditional and special local industries can be divided into the following main categories: scenic and landscape related industries, agricultural products and related processing industries, handicrafts, cultural, and artistic products, and festival related industries.

1. Scenic and Landscape Related Industries

The Taiwanese landscape features a rich variety of land uses, which have in turn given rise to many different commercial activities and thus different industries. These

include rafting trips, canyoning, hot spring resort operations, cold spring resort operations, beach operations, forest recreation areas, etc. Some of the better-known examples of this type of industry are the Peitou and Wulai hot spring industries, the Hsiukuluan River rafting industry, etc.

2. Agricultural Products and Related Processing Industries

Taiwan was originally an agricultural society. Over time, local communities have adopted crops suited to their local climatic and soil conditions. In many cases, these agricultural products are processed locally to produce local specialties. Examples of this type of industry include the Tachia taro industry, the Paiho lotus industry, the Pingtung coconut industry, the Hsinchu pork and fish-ball industry, the Chinmen peanut candy industry, and the Yuanlin preserved fruit industry.

3. Handicraft Industries

Traditional handicraft industries make use of local raw materials and develop in accordance with local climatic and social conditions. Their continued existence reflects the role they play in meeting local needs with respect to employment and life needs. Over time, these industries come to acquire special historical and cultural significance, embodying the development of local culture and of technology. They are thus the combined product of culture and art. Most handicraft industries are highly labor-intensive, requiring the use of special skills. They do not lend themselves to large-volume production.

4. Cultural and Artistic Products and Festival Related Industries

Both existing and newly-developed cultural and artistic activities and products can be used as the basis and incentive for leveraging such activities and products for community building and rebuilding, making culture serve as an asset for industrial development and overall local development. Cultural activities and the sale of related products can be employed to revitalize local economic activities of various kinds. In this way, not only can these cultural assets be preserved, but culture can come to play an important role in national development objectives, using culture as a basis for industrial development. To take just one example, the Tachia Matsu (Tienhou)

processions, which began as a purely religious activity, have expanded in such a way as to revitalize local culture and the arts, and have provided a foundation for local economic development.

II Guidance Mechanisms for Traditional and Special Local Industries

Several central government ministries and agencies are already involved in the provision of guidance to traditional and special local industries. The types of guidance provided by these ministries and agencies – which include the Ministry of Economic Affairs, the Council for Cultural Affairs, the Council of Agriculture, the Council of Indigenous People’s Affairs, the Council of Hakka Affairs, the Council of Labor Affairs, etc. – are outlined below:

1. The Ministry of Economic Affairs

The Ministry of Economic Affairs (MOEA) began to provide guidance for the development of traditional and special local industries back in 1989, working through the SMEA. Subsequently, the Commerce Department and IDB of the MOEA also began to provide guidance for traditional and special local industries.

(1) The Small and Medium Enterprise Administration

The SMEA began implementation of the Guidance for Traditional and Special Local Industries Project in 1989, focusing on the provision of guidance to local industries that were of historical importance or unique, along with those consumption-type industries that had made a significant contribution to local development. Taiwan’s national development planning also made the expansion of creative local industries and the development of local industries in indigenous (aboriginal) communities a priority, with the aim of building up “a special local industry in every township, rural township and community.” It was anticipated that helping special local industries to develop their economic value would contribute to the sustainable development of the local economy, and that the integration of special local industries with the cultural sector would help to enrich them.

In regards to the guidance mechanism established by the SMEA, the first step was to draw up an annual guidance plan. The number of projects to which guidance would be given was decided on the basis of the amount of funding available. Projects and proposed funding amounts were proposed by local governments. The guidance team submitted a guidance proposal, and the SMEA would then convene a meeting of the project appraisal committee to select those projects that it was felt deserved funding. There were three main appraisal criteria: the special characteristics and state of health of the local industry, local companies willing to collaborate with the guidance project, and the implementation capability of the guidance team. For most of these projects, because of the limited amount of funding provided, the short period over which guidance was implemented, and the difficulty in obtaining accurate data, it is difficult to achieve a precise, objective appraisal of the results achieved.

The provision of guidance to traditional and special local industries by the SMEA can be divided into three periods:

The First Period (1989–1990): During this period, the main emphasis was on the provision of guidance to manufacturing and processing industries.

The Second Period (1991–2000): The provision of guidance in this period focused on agricultural products and cultural industries.

The Third Period (2001–2004): During this period, the main emphasis was on the leisure and tourist industries.

In order to differentiate its guidance activities from those undertaken by the IDB and the Commerce Department, for the most part the SMEA excluded the provision of guidance to manufacturing industries and business districts from its guidance activities. When guidance was provided to leisure agriculture or to industries in Hakka regions, the SMEA focused on “software” areas such as marketing and packaging.

(2) The Commerce Department

In 1994 the Commerce Department, Ministry of Economic Affairs, began implementation of the Business District Image Guidance Project, the Shopping Street Development and Promotion Project, and the Business Environment Visual Design Project. Through the implementation of these projects, the Commerce Department hoped to integrate the upgrading of business management “software” with improvement

of the “hardware” facilities making up the external public environment, so as to help business districts create a new image for themselves. Aside from promoting the concept of image building and helping to spread awareness of the importance of environmental quality, the Commerce Department also surveyed the current state of the commercial environment, the resources available, and special local needs in individual localities, provided guidance for individual regional projects, and assisted with the cultivation of managerial talent. In 1999 the Commerce Department began implementation of a Five-year Plan to Improve the Commercial Environment, the aim of which was to establish comprehensive planning to help small and medium-sized retailers collaborate with one another to improve the business environment in their area.

Applications to receive guidance had to be approved by the Commerce Department. Once the developers and/or local businesses had formed a preparatory committee, they could submit a written application for guidance. Following approval by the Commerce Department, the guidance project was handed over to the relevant agency for implementation. It was hoped that, through the provision of this guidance, modern management concepts and technology could be transferred to local business districts, and that the successful adoption of these concepts and technologies would be imitated in other areas. Industry associations and other business organizations could then set up their own guidance systems, helping the government to provide guidance to small- and medium-sized commercial enterprises, thereby achieving an across-the-board improvement of the commercial environment in Taiwan.

In 2003 the Commerce Department established model local industry exchange centers in Ilan County, Hsinchu County, Changhua County, Pingtung County, and Nantou County. Aside from planning new strategies with respect to land use, public facilities, transportation infrastructure, etc., these centers have also been working to develop new industries and new product mixes for the local community, and have helped local industries to integrate innovation into their product packaging. It is anticipated that the implementation of the local industry exchange center model can be continued over the long term on a sustainable basis.

(3) The Industrial Development Bureau

To help individual counties and cities in Taiwan to develop high-quality, distinctive

local industries and products, while at the same time upgrading their technical and marketing capabilities and creating new opportunities for local industrial development, over the period 2000–2003 the IDB implemented the Special Local Industry Guidance Plan for Outlying Islands. The emphasis in this Plan was on the provision of guidance to special local manufacturing and processing industries in those Taiwanese counties consisting of outlying islands some distance from the main island of Taiwan – including the counties of Chinmen, Penghu and Lienchiang (Matsu) – in the areas of production, technology, branding, marketing and market development, etc. In addition, the period 2002–2003 saw the implementation of the Plan for Upgrading the Competitiveness of Traditional Industries – Traditional and Special Local Industry Guidance Plan, which focused on providing assistance to local manufacturing and processing industries in areas affected by the severe earthquake that occurred in Taiwan on September 21, 1999. Here too, the scope of guidance provided was comprehensive, covering innovation, R&D, production technology, branding, marketing, market development etc.

In 2003 the IDB began to help factories in traditional industries to transform themselves into “Tourist Factories” that would combine production with tourist services. To be eligible to participate in this scheme, the factories had to be of historical or cultural significance, possess educational value and potential for development as a tourist attraction, hold a factory registration certificate, be committed to the process of transformation, and be ready to invest some of their own funds in the process. This scheme was widely applauded; in 2004, the project was renamed the “Local Industry Innovation and Transformation Development Plan.” The IDB continues to provide guidance services to foster the development of “Tourist Factories” under this scheme.

As part of its efforts to help those local industries characterized by the development of industry clusters to upgrade themselves and leverage the formation of clusters to maximum effect, in 2004–2005 the IDB implemented the Plan for the Promotion of Innovation and Transformation Among Local Industries – Houli Musical Instrument Industry Guidance Plan. This Plan targeted the saxophone manufacturers of the Houli District of Taichung County, which have been in existence for many years, helping them to upgrade their manufacturing technology and strengthen their product development capabilities, while also assisting with the

establishment of standard product systems and common standards that will be shared by the industry as a whole, thereby improving the overall quality of the industry's products. The Plan also involves helping saxophone manufacturers to develop a strong brand image, upgrade their marketing capabilities and develop international markets.

The IDB also has responsibility for the “Innovative Life Industries” under the Cultural and Creative Industry Development Plan, which is one of the ten major plans making up the Challenge 2008 National Development Plan. The term “Innovative Life Industries” is defined as follows: “Products and services that have their origins in innovation or cultural accretion, and that use innovative methods to meet nourishment, clothing, residential, travel, education or entertainment needs. These industries employ compound management methods, possess an innovation and reproduction capability, and provide learning experiences.” In other words, innovation or the accumulation of cultural knowledge is used to develop industries based on innovative ways of thinking. In 2004 the definition was revised as follows: “Industries that integrate innovation with the core knowledge of life industries to provide in-depth experience or high-quality aesthetic satisfaction.” The three key elements were now “core knowledge,” “in-depth experience,” and “high-quality aesthetic satisfaction.” “In-depth experience” includes the application of innovation to both services and activities; “high-quality aesthetic satisfaction” includes the application of innovation to locations and products. Business enterprises that meet these requirements can receive an “Innovative Life Industry Certificate” and can benefit from free diagnostic services to help them improve their operational performance.

2. The Council for Cultural Affairs

Following the introduction of the “Community Building” concept in 1994, initially the Council for Cultural Affairs focused on building up performance and display facilities at the level of the township and rural township, providing guidance to help city and county governments set up new museums and expand the collections of existing museums, emphasizing the develop of community cultural activities, and the beautification of traditional cultural space. Integrating its activities with the annual plans for the revival of local cultural industries and for the development of “life culture” work, the Council sought to create an architecture in which “software” and “hardware” elements would complement one another. From 2001, the main emphasis

was placed on the development of arts and culture at the community level, environmental and cultural reconstruction, and cultural industry development and revival.

In 2003 the Council for Cultural Affairs began promotion of the Local Cultural Industry Revival Plan as part of its community development efforts. The aim of this project was to strengthen communities' cultural foundations, with implementation items that included the development and integration of cultural industry assets, cultural industry transmission and study, and cultural industry innovation and marketing. Annual funding totaling of around NT\$20 million was provided for the Plan.

The Council for Cultural Affairs' Community Building plan focused heavily on cultural activities, aiming to use cultural preservation and construction to stimulate the development of community consciousness, promote the compilation and preservation of cultural and historical records, and provide a basis for all-round environmental restructuring, while at the same time stimulating the development of local cultural festivals and cultural industries. Over the years, the main emphasis in the Council for Cultural Affairs' guidance policy has been on the protection and preservation of local culture, the cultivation of local talent, and the transmission of knowledge. The industry and market promotion mechanisms serve as methods or tools for cultural preservation and continuation. At the same time, due consideration is given to the all-embracing nature of culture. In its provision of guidance to cultural industries, the Council for Cultural Affairs continues to emphasize cultural significance, seeking to maintain a balance between the "industrialization of culture" and the integration of culture into industry.

3. The Council of Agriculture

In its provision of guidance to special local industries, the Council of Agriculture has focused on the "culture" of local industries. Special incentive measures have been used to encourage local communities to organize agriculture and fishing industry culture study activities and cultural festivals, so as to achieve the objective of cultural transmission while at the same time encouraging "cultural tourism." In this way it is hoped to demonstrate the benefits of diversified agriculture and fisheries, while also boosting value creation within the agricultural and fisheries sectors.

To encourage consumers to visit the areas where agricultural and fisheries production takes place, thereby promoting tourism and consumption at the local level, the Council of Agriculture has implemented various additional projects including efforts to encourage women in rural communities to establish sideline businesses, and measures to promote the sale of local specialties. The aim is to get people in local farming and fishing communities to demonstrate innovation and original thinking in the processing of local agricultural products, restaurants, and product sales, so as to facilitate the further commercialization of agricultural products, promote the development of the tourism and leisure industries in local communities, and enhance the overall quality of life in such communities.

The implementation methods vary according to the nature of the individual project. Municipality, county, and city governments collate the applications for guidance from within their areas, and then arrange for the local agricultural improvement station or Bureau of Agriculture to perform a preliminary review. In some cases, applications may be submitted to the county or city government through the local Farmers' Association, in which case a preliminary review is performed by the Farmers' Association or by the local agricultural improvement station. In the case of specialty product marketing plans, the applications may be collated by the seven agricultural improvement stations and the Provincial Fisheries Association, in which case a preliminary qualification review meeting is convened, attended by representatives of the county or city government, the county or city Farmers' Association, and academics and experts. In all cases, a final review is undertaken by a review committee set up by the Council of Agriculture, the members of which include representatives of government, industry, universities, and research institutes.

4. The Council of Indigenous Peoples

In order to improve the standard of living of Taiwan's indigenous peoples, help them to maintain their self-respect, and rebuild confidence within indigenous communities, the Council of Indigenous Peoples, Executive Yuan, formulated the Plan for Promoting Industrial Development and Strengthening Overall Economic Development in Indigenous Communities. The aim of this Plan is to establish an industrial development mechanism for Taiwan's indigenous peoples, provide guidance for the development of indigenous peoples' factories and workshops, encourage the growth

of indigenous people's industries emphasizing small-volume production of a wide range of different products, promote the development of the tourist industry in indigenous communities, and encourage exchange between indigenous artists in Taiwan and those in other parts of the world.

The Plan for Promoting Industrial Development and Strengthening Overall Economic Development in Indigenous Communities provides for two categories of guidance work. One is the development of "model communities." This type of guidance is provided to communities that already possess a basic infrastructure, and which hope to establish themselves as models for other indigenous communities to emulate. As the amount of funding involved is in general rather large, approval for such guidance projects must be given by the Council for Indigenous Affairs itself. The other category of guidance is "blueprint communities." All indigenous communities with inadequate infrastructure are eligible to apply for this type of guidance. As the amount of funding involved is relatively small, approval is given at the local government level. Guidance projects are normally implemented over a period of three years. In the first year, the community can receive assistance from the guidance team, but in the second and third years the community must implement all work items by itself.

The method of selection that the Council for Indigenous Affairs employs for guidance projects involves sending teams of academics and experts to the indigenous communities to conduct on-site inspection, and to help the community draw up a guidance proposal that can be submitted to the rural township office. The proposal is then passed on from the rural township office to the county government for a preliminary review, after which it is submitted to the Council for Indigenous Affairs for final review.

5. The Council for Hakka Affairs

The Council for Hakka Affairs, Executive Yuan, has sought to facilitate the integration of culture and industry in Hakka areas, working to develop cultural and leisure industries with Hakka characteristics, thereby creating new jobs and contributing to the preservation and development of Hakka culture. The areas in which assistance is provided include both "software" and "hardware." On the "software" side, the emphasis is on coordinating the activities of cultural and

historical research teams, production and sales organizations, and local communities. Focusing on those industries that are most characteristic of the Hakka regions of Taiwan – including special agricultural products, building, wood-carving, ceramics, weaving, paper umbrella manufacturing, food production, bed-and-breakfast operations, etc. – funding is provided for planning, collaborative operation, brand establishment, promotion and marketing, and R&D. On the “hardware” side, the emphasis is on leveraging existing buildings – such as traditional houses and community buildings, Farmers’ Association retail outlets, bed-and-breakfasts and tourism and recreation facilities – to display and sell the products of Hakka industries, house-related public facilities, house processing equipment, and provide space for the development of production technology.

6. The Council of Labor Affairs

Following the severe earthquake that took place in Taiwan on September 21, 1999, the Council of Labor Affairs formulated various plans to speed up the process of reconstruction in the affected areas. These included the Employment Reconstruction Plan, implementation of which began in October 2000, and the Sustainable Employment Creation Plan, launched in January 2001. The main objective of these plans was to help civic organizations to devise innovative programs for job creation at the local level that would supplement the government’s own efforts in this regard.

The Diversified Employment Creation Projects promoted by the Sustainable Employment Creation Plan included Economic Projects and Social Projects. The Economic Projects were developed by civic communities in line with the needs of local development. The aim was to strengthen the employability of the unemployed, bring unemployment down, contribute to the development of new local industries, and extend the lifespan of existing industries.

III Results Achieved in the Provision of Guidance to Local Industries

The provision of guidance to local industries is implemented by the various central government ministries and agencies in line with their individual remits and areas of

expertise. The scope of guidance ranges from the purely industrial to guidance relating to cultural assets and the formation of consensus among the members of the local community. It is therefore not always possible to achieve a precise quantification of the benefits achieved in terms of production value, operating revenue, or jobs created. Measuring cultural transmission and the development of sideline occupations in monetary terms is a particularly difficult task. Despite the absence of precise indicators, an attempt is made in the following section to appraise the results of guidance implementation by the various ministries and agencies concerned.

1. The Ministry of Economic Affairs

(1) The Small and Medium Enterprise Administration

Many of the local industry guidance programs implemented by the SMEA, Ministry of Economic Affairs, have achieved impressive results, for which examples of projects that have been particularly successful include: the clog industry in Paimi, Ilan County; coconut cultivation in Laochuangchiao, Pingtung County; the vegetable dye industry in Chungliao, Nantou County; the Hsiaopant'ien community in Luku Rural Township; and the indigenous people's handicraft industry in Santimen, Pingtung County. The development of the clog industry in Paimi, Ilan County has been especially impressive. According to estimates produced by the SMEA, in 2000 the Paimi clog industry earned NT\$2.5 million in revenue (both direct sales revenue and indirect revenue from tourism), rising to NT\$7.36 million in 2001, and to NT\$12 million in 2003. The number of people employed by the New Peitou hot spring industry in Taipei City rose from 450 in 2002 to 560 in 2004. Over the same period, the industry's operating revenue increased from NT\$313 million to NT\$600 million. In Taichung County, the Tachia taro industry saw its annual operating revenue increase from NT\$5.5 million in 2002 to NT\$36.8 million in 2004, while the operating revenue of the lotus industry in Kuanyin Rural Township, Taoyuan County rose from NT\$10 million in 2002 to NT\$24.7 million in 2004. (Table 7-3-1)

(2) The Commerce Department

The key elements in the provision of guidance to local industries by the Commerce Department, Ministry of Economic Affairs, are the Business District Image Guidance

Project, and the Local Commercial Environment Revitalization Plan – Attractive Business District Creation Project. Various other projects, such as the Post-disaster Business District Reconstruction Plan and the Local Industry Exchange Center Plan have not been implemented on an ongoing basis. In 1994 the Commerce Department began implementation of the Business District Image Guidance Project, the Shopping Street Development and Promotion Project, and the Business Environment Visual Design Project, followed in 1999 by the Five-year Plan to Improve the Commercial Environment, the aim of which was to help small and medium-sized retailers to collaborate with one another to improve the business environment in their area. Following the termination of the Business District Image Guidance Project in 2003, in 2004 the Commerce Department began implementation of the Local Commercial Environment Revitalization Plan – Attractive Business District Creation Project, the aim of which was to cultivate local organizations that can make a significant contribution towards developing the local commercial environment, while also strengthening the local government’s business district administration capability so as to instill new vitality into the commercial environment. The selection process was adjusted to emphasize community-building goals, and efforts were made to get county and city governments involved in the process of developing proposals. At the same time, the Commerce Department sought to integrate the capabilities of the public and private sector, working to strengthen the overall competitiveness of business districts, and putting in place the architecture needed to revitalize local industries and strengthen the commercial function of local communities.

Table 7-3-1 Results of Local Industry Guidance Provision by the SMEA, Ministry of Economic Affairs

Units: NT\$ million; persons

Industry	Results	Operating Revenue		No. of Persons Employed	
		2002	2004	2002	2004
New Peitou Hot Spring Industry, Taipei City		313.0	600.0	450	560
Taro Industry, Tachia Rural Township		5.5	36.8	83	96
Economic Development Project, Wutai Rural Township, Pingtung County		0.26	1.0	8	15
Lotus Industry, Kuanyin Rural Township, Taoyuan County		10.0	24.7	25	72
Mataian Community Tourist Industry, Kuangfu Village, Hualien County		25.1	51.1	25	60
Vegetable Dyes Industry, Chungliiao Rural Township, Nantou County		0.5	2.87	6	18

Source: SMEA, Ministry of Economic Affairs, Results Achieved in the Provision of Guidance to Community and Local Industries in 2004.

(3) The Industrial Development Bureau

Over the last four years, the IDB has implemented 110 individual guidance projects targeting local industries in Taiwan's outlying islands. These guidance projects have stimulated investment totaling NT\$35,950,000, and have helped manufacturers to reduce their costs by a total of NT\$9,350,000 and increase their production value by NT\$9,800,000. In addition, in the last two years the IDB has implemented 42 individual guidance projects targeting local industries in regions affected by the severe earthquake that occurred in Taiwan on September 21, 1999. These 42 projects have stimulated investment totaling NT\$11,000,000, and have helped the industries concerned to make cost savings of NT\$6,550,000 and increase their production value by NT\$43,120,000. The Bureau has also provided guidance for 17 "Tourist Factories," helping these factories to combine the role of manufacturing enterprise with that of tourist attraction. These projects have stimulated NT\$109,300,000 worth of investment, raised the production value of the companies concerned by NT\$70,400,000, and increased the number of tourists visiting the areas in question by 10%; the factories that received this guidance from the Bureau felt that it had made a significant contribution towards the process of transforming and upgrading themselves. In 2004, under the Plan for the Promotion of Innovation and Transformation among Local Industries – Houli Musical Instrument Industry Guidance Plan, the IDB provided guidance to nine saxophone manufacturers, helping them to boost their production value by NT\$9 million and stimulating investment totaling NT\$8 million.

As regards the Bureau's "Innovative Life Industry Plan," companies were required to undergo a review process in order to be designated as belonging to an "Innovative Life Industry." As of the end of 2004, 53 companies had been authorized to use the "Innovative Life Industry" mark; this scheme is making a significant contribution towards the establishment of model companies in Taiwan's creative industries.

2. The Council for Cultural Affairs

In its guidance activities, the Council for Cultural Affairs has generally focused on the cultivation, transmission, and preservation of traditional local arts and handicrafts and the people involved in them. However, with local cultural industries continuing to face

serious threats, the Council has begun to reorient itself towards making cultural significance the cornerstone of its promotion of local culture, focusing on industries and markets. In 2003 the Council for Cultural Affairs began promotion of the Local Cultural Industry Revival Plan, emphasizing the development of culture at the local level. The major work items making up this Plan included the development and integration of cultural industry resources, cultural industry transmission and study, and cultural industry innovation and marketing. Aside from providing funding for exposure, study, and cultural industry revitalization activities, in 2003 the Council began to implement an Industry Diagnostics Plan, focusing on those cultural industries that had already received guidance. The aim of this Plan was to help local cultural industries to acquire a more in-depth understanding of market demand that could serve as a foundation for future market development.

3. The Council of Agriculture

The main programs implemented by the Council of Agriculture to provide guidance for local industries include the Local Industry Culture Guidance Plan, the Plan for Encouraging Women in Rural Communities to Establish Sideline Occupations, and the Plan for Developing the Sale of Local Specialties to Tourists. The aim of these programs is to help the women of farming families to develop their full potential through the operation of sideline businesses that can provide an additional source of revenue for the family, and to use local agricultural and fisheries products as the raw materials for developing high-quality, high value-added products that can be sold to tourists, thereby contributing to the development of tourism in the locality. As well as helping the inhabitants of farming communities to exercise their creativity and fostering the development of local agricultural products, these programs also provide a solid foundation for the all-round development of rural communities.

4. The Council of Indigenous Peoples

The Council of Indigenous Peoples provides guidance in the area of special agricultural products and related facilities. It has provided assistance for the establishment of plum processing plants, display and retail sales centers for fisheries products and handicrafts, agricultural product retail centers, and indigenous peoples' industry culture centers, etc. In addition, the Council has offered guidance for the

development of the fisheries industry, manufacturing industry, commerce, and the tourist industry in indigenous communities. In 2005 the Council began implementation of the Plan for the Sustainable Development of Indigenous Communities, the Indigenous Community Resource Pool Development Plan, and the Plan for Integrated Development of Indigenous People's Industries. The aim of these programs is to leverage indigenous people's innovation and R&D capabilities to improve the overall living environment in indigenous communities, striving for effective integration of community industries so as to facilitate industrial upgrading and transformation. At the same time, the Council is seeking to promote the growth of autonomous management within indigenous communities so as to make possible the sustainable development of these communities. Other promotional activities include the establishment of organic agriculture marketing and strategic alliances, the building up of a cultural diversity and innovation marketing network, new platforms for exchange, and mechanisms for international exchange. Through these measures, the Council is aiming to establish the necessary mechanisms for industrial development in indigenous communities, revitalize the tourist industry in indigenous communities, foster the development of local industries based on small-volume production of a wide variety of different products, and contribute to the sustainable development of indigenous communities.

5. The Council for Hakka Affairs

The Cultural Value Creation Plan implemented by the Council for Hakka Affairs has focused on encouraging talented individuals to remain in Hakka areas, using the development of "a special local industry in every rural township" to stem the outward flow of population in Hakka areas. In addition, the Council has been working to integrate the cultural and tourist industries, stimulating the development of cultural tourism to further the economic and cultural revitalization of Hakka areas, working to create new jobs in these areas, taking steps to reduce the disparities between urban and rural areas, and encouraging the maintenance of traditional Hakka values and Hakka culture. A total of NT\$2,756 million in funding will be allocated to the project over a period of six years, and it is anticipated that this will lead to the creation of business opportunities worth around NT\$7 billion and to the creation of 20,000 new jobs.

6. The Council of Labor Affairs

Under the Sustainable Employment Creation Plan, implementation of which began in 2001, the Council of Labor Affairs has provided funding for personnel costs, labor and health insurance costs, manpower cultivation, stationery, communications expenses, travel expenses, etc. Thanks to the availability of these subsidies, civic organizations (working in concert with the government) have succeeded in creating over 50,000 new jobs.

IV Problems Encountered in the Development of Local Industries

Although traditional and special local industries can make a major contribution to both local economic development and overall community development, there are still significant problems that need to be overcome in the course of developing these industries. The following section examines both the problems that the industries face themselves, and the difficulties that the government encounters when providing guidance to such industries.

1. Problems Encountered by Local Industries Themselves

(1) The Need for Constant Innovation in the Development of New Products

As the processes of internationalization and economic liberalization continue, Taiwan's domestic market has been opened up to the extent that Taiwan's local industries now have to face low-priced competition from China and Southeast Asia. This intensification of competition has hindered the development of local industries, and many of the industries containing a strong cultural element have gone into decline. These industries need an infusion of both manpower and resources if they are to survive.

(2) Difficulty in Ensuring the Transmission of Traditional Skills

While the decline of traditional local industries is partly due to the growth of new industries and the outflow of population from many areas, the failure to attach due

importance to local culture is also a key factor. This is particularly true in indigenous communities, where local culture and local industries have been unable to stimulate economic development, as a result of which the transmission of traditional culture and handicrafts has been interrupted. In the case of local industries in areas that are more highly urbanized, local residents are generally better placed to organize themselves and are more proactive when it comes to organizing activities to further the development of local industries. By contrast, with local industries in remote areas the people involved therein are mainly middle-aged or elderly farmers who tend to be less entrepreneurially minded, are less aware of the challenges facing the industry, and are less sensitive to the need to boost value-added. They also have less access to market information. These industries therefore need more help in the way of guidance.

(3) Replication Tends to Dilute the Local Character of Special Local Industries

The main selling point for special local industries is their local character. However, there is a tendency for different localities to develop industries that are highly similar to one another. This problem is particularly acute in the case of agricultural products and handicrafts, where replication and imitation are easy to implement. Failure to maintain innovation and to ensure that local industries reflect local culture is causing local industries to become more homogenous, at the expense of their local character.

(4) Vested Interests and Political Factions Hinder the Development of Local Industries

Local communities in Taiwan have for many years been characterized by fierce political infighting, which has not disappeared, simply because efforts are being made to develop special local industries. Ongoing conflicts between local political factions often result in a situation where one faction supports the development of local industries while the other opposes it. This leads to a waste of resources and has a negative impact on the long-term development of local industries.

(5) Difficulty in Rooting Guidance Work in the Local Community

Guidance work for local industry development is mainly carried out by civic guidance teams. However, the restrictions imposed by the Government Procurement Law make

it difficult for local organizations to undertake guidance work. Most of the organizations that are capable of providing guidance on a nationwide basis are located in central or northern Taiwan. The provision of guidance in southern Taiwan and in remote areas mainly involves dispatching personnel on temporary assignments, rather than establishing permanent offices in these regions. This makes it difficult to accumulate experience and hinders the cultivation of local guidance teams. The foundations that have been established through previous guidance work cannot be maintained, and local guidance groups have no opportunity to build up experience, rendering it impossible for them to take over responsibility for providing guidance in those areas.

2. Government Agencies

(1) Problems with the Legal Framework

In the course of providing guidance to local industries to help them build up their competitiveness, government agencies often encounter problems with the legal framework. Due to the lack of clarity regarding the legal basis for the provision of guidance to local industries, finding solutions to these problems can be very difficult. Some of the problems encountered include legal issues relating to the conversion of agricultural land for bed-and-breakfast operations and issues relating to the use of publicly-owned indigenous people's housing as bed-and-breakfasts. The application of current laws and regulations raises significant problems in these areas.

(2) Failure to Achieve Effective Coordination of Guidance Provision by Different Government Agencies

Although many different government agencies have taken an interest in promoting the development of traditional and special local industries, each of these agencies has its own agenda. In most cases, guidance is provided in the form of special programs, the effectiveness of which is often diluted by coordination problems, by the inability to provide funding on a continuing basis, or by excessively cautious promotion. Owing to the different implementation models adopted by different government agencies, it has proved difficult to carry out guidance work in a systematic manner or to create a multiplier effect.

(3) Problems Relating to Communication and Coordination between Central and Local Governments

So far, no mechanism has been established to facilitate coordination of the measures adopted by different government agencies to promote the development of traditional and special local industries. By and large, individual ministries and agencies continue to formulate a guidance strategy in line with their own objectives and policies, which often results in duplication and a waste of resources. Due to the lack of a “one-stop shop” for promoting the development of local industry, companies often find it difficult to secure answers to their queries. In some cases, even the local government authorities do not have ready access to the necessary information, which can lead to misunderstandings in the transmission of central government policy, preventing guidance provision from creating as much synergy as it should.

(4) The Need for a Comprehensive Appraisal Mechanism

Ever since 1989, the government has provided funding of several tens of millions of NT dollars a year (in some years over NT\$100 million) to provide guidance for traditional and special local industries. However, as yet no comprehensive appraisal mechanism has been established to measure the results achieved. This in turn makes it difficult for local governments, companies, and individual members of the public to appreciate the efforts that the government has made to foster the development of local industries. Given today’s emphasis on transparency in government policy, this puts government agencies seeking to provide guidance to traditional and special local industries in a difficult position.

V Guidance Policy with Respect to Traditional and Special Local Industries – the Future

1. Guidance Policy

Not only can successful local industries serve as symbols for Taiwanese industry as a whole, they can also serve as the embodiment of “globalization at the local level.” At the same time, they are the lifeblood of local economic development and an important

source of tax revenue for the government. The provision of guidance to traditional and special local industries is thus an issue of great importance. In the future, the government's policy with respect to the provision of guidance for local industries needs to focus on the following areas:

(1) Encouraging Local Industries to Innovate and to Improve the Quality of Their Products

Many local industries have evolved out of traditional handicrafts or the cultivation of particular agricultural products, using techniques that have been handed down over the generations. Owing to the limited amount of funding available, the provision of guidance to local industries by government agencies currently focuses heavily on low-cost specialty food production and restaurant operation. The problem with this type of industry is that the potential for replication or imitation is very high. To be able to compete effectively against low-priced foreign products, local industries in Taiwan need to focus on improving the quality of their products.

Given the relatively small size of Taiwan's domestic market, local industries need to develop a vision that encompasses the development of global markets. The simplest, most immediately effective method of guidance is therefore to show local industries how to identify consumer needs and how to develop products that, while embodying traditional Taiwanese culture, also conform to the tastes of overseas consumers in terms of design and packaging. In this respect, Taiwan would do well to study the example of Thailand, which recruited leading international designers to help local industries with product packaging and design to ensure that, besides their local character, these industries' products were also redolent with high quality and high aesthetic beauty. In this way, products can be made to appeal to overseas consumers, while also encouraging an improvement in the overall quality of design in local industries.

(2) Expanding the Marketing Channels Available to Local Industries

Most of the firms involved in traditional and special local industries are small and medium enterprises, or in some cases micro-enterprises. This means that their marketing resources and capabilities are generally rather limited. Currently, the single most important marketing channel for traditional and special local industries is religious, artistic, and cultural activities that attract large numbers of tourists, providing an

opportunity to promote the sale of local products. However, these activities take place over a limited period of time. The key issues in guidance provision are how to get tourists to buy local products on a regular basis, and how to market these products in other parts of the country and overseas. In the future, government agencies organizing large-scale events of this sort need to coordinate their activities with other agencies, arranging the participation of local industries that fall under the remit of other ministries and agencies, and working to create new marketing channels for local industries.

In addition to arranging for the display of local industries' products at international trade shows in Taiwan, the government should also organize international local product exhibitions. These exhibitions would give companies in Taiwan the opportunity to study the products of local industries in other countries, while at the same time providing a venue for international exchange, helping to strengthen the image of Taiwan's local industries. They would thus constitute an important channel for strengthening the development of local industries in Taiwan.

With regard to the development of overseas markets, the government can undertake the selection of the most distinctive products and then commission private-sector organizations to organize overseas promotional activities or to attend international trade exhibitions in other parts of the world. Overseas distributors could be employed to market the products of Taiwan's local industries in key markets, thereby increasing the level of exposure that these products enjoy. Taiwan's overseas representative offices and trade promotion offices would have an important role to play here.

(3) Active Cultivation of the Human Talent Needed by Traditional and Special Local Industries

With the average educational level in Taiwan continuing to rise, many local industries find themselves faced with a shortage of young people interested in carrying on these traditional trades. Despite the government's efforts to revitalize Taiwan's traditional and special local industries, more work needs to be done at the level of basic education, for example, by encouraging primary schools and junior high schools to arrange visits to local industry workplaces and to include material relating to local industries in their teaching materials. By doing so, they can plant the seeds of interest in young people who may in the future decide on a career in a traditional or special

local industry. In the area of manpower cultivation, the government needs to provide funding and training opportunities, making effective use of cultural and artistic talent to help companies give their products a unique flavor or develop their own brand. For example, the regulations governing implementation of the Council of Labor Affairs' Diversified Job Creation Program are no longer restricted to those unemployed. The scope of alternative military service could be expanded to include industries other than those in the hi-tech sector, thereby furthering the cultivation of cultural and artistic talent and enhancing the artistic value of local industries' products. The cultivation of managerial and marketing talent provides an effective means of strengthening the management and efficiency of local industries.

As regards to the current situation where most guidance teams are located in northern or central Taiwan, in the future more effort is needed to develop guidance teams at the local level and to integrate their activities into the local community.

(4) Leveraging R&D to Improve the Quality of Local Industries' Products

Of the various guidance schemes that are currently being implemented to further the development of local industries, only the IDB's Local Industry Innovation and Transformation Promotion Plan provides individual companies with a comprehensive guidance covering every stage from innovation, planning and design, R&D, production, marketing, and brand development, through to market operation. This project has achieved significant results in helping companies to develop distinctive products and enhance their quality of their products. It has also contributed to the emergence of new industries and new products, helping local industries to bring out their own unique character and creating new opportunities for them. However, in order to benefit from the Local Industry Innovation and Transformation Promotion Plan, companies are required to allocate significant resources of their own. Limited budgets have forced other ministries and agencies to focus on improving the image or external appearance of local industries' products. They have been able to do relatively little to strengthen the product quality.

Given the limited resources available to the government, if maximum benefit is to be obtained from R&D, then it is important to first implement a "grading" of local industries. In the case of those products that have real potential for internationalization,

aside from providing supplementary funding to encourage manufacturers to step up R&D, the government could also institute an awards system to provide recognition for outstanding products. As for those industries whose products are not yet ready to compete in international markets, it should be left up to the individual manufacturers to decide how best to improve their products. Specialist agencies can then be commissioned to assist them with R&D and help them to improve product quality. Through an effective integration of managerial expertise and guidance resources, it should be possible to give local industries new, distinctive features that reflect the character of the local community, thereby differentiating them from ordinary, run-of-the-mill industries.

(5) Aggressive Cultivation of Local Guidance Teams

Local industries are normally closely integrated into the fabric of the local community. People who are from the same community find it easier to communicate with them and to build consensus than outsiders would. If guidance teams can be cultivated at the local level, then even after the formal period of guidance has been completed, companies in the industry in question will have someone they can address queries to, and the guidance team – which will now have built up significant experience – may be able to provide guidance to other industries in the same area. By cultivating local guidance teams, work can be made to put down roots that facilitate its continuing implementation over the long term. Aside from large-scale guidance teams operating in several counties or cities, the government's guidance planning for the future should also emphasize collaboration with local guidance organizations, so that these small- and medium-sized groups have opportunities to learn, to build up experience, and to cultivate local talent.

(6) Building a Consensus to Achieve Sustainable Development

The building of consensus at the local level constitutes an important element in the process of providing guidance to traditional and special local industries. The operations of local organizations and groups are often the key factor that determines whether or not a local industry succeeds in transforming itself. These local organizations and groups can also play an important role in furthering the development of the industry after the completion of the formal guidance period. The

main source of competitiveness for traditional and special local industries is the ability to maintain or develop a local character. How effectively this local character can be presented depends on whether a consensus can be formed among local inhabitants, and on how actively they participate in the process of fostering the industry's development. Local organizations and groups normally enjoy good relations with the local community, enabling them to undertake the communication needed to build up consensus with respect to the upgrading of culture, technology, innovation, and value added, and to encourage the development of environmental consciousness. Only then will it be possible for local industries to achieve sustainable development and enhance the quality of life for local inhabitants, while themselves can grow steadily and take control over their own destiny.

One of the biggest challenges facing guidance providers is how to overcome opposition to the local industry development plans, by establishing a sound platform for calm, reasoned discussion so as to get everyone in the community working together for a common goal, and turning local political factions from an opposing force into a supporting one. Nevertheless, this is a challenge that must be overcome if the unnecessary waste of resources is to be avoided and a new vision established for the community as a whole.

2. Guidance Strategies

In the future the following strategies need to be adopted in the provision of guidance for traditional and special local industries if a comprehensive, effective guidance mechanism is to be established. Such a mechanism could provide the foundation for an innovative lifestyle model integrating knowledge, culture, innovation, aesthetics, industry, and quality of life. Not only would this provide new opportunities for the ongoing development of Taiwanese industry, but it would also help to give the people of Taiwan a better life, in both material and spiritual terms.

(1) Formulation of a Unified National Policy for the Provision of Guidance to Traditional and Special Local Industries

Various ministries and other government agencies are currently vigorously promoting local industry guidance to work in line with their own objectives and areas of

responsibility. The lack of sufficient inter-ministerial coordination tends to lead to the duplication of efforts and a failure to collaborate fully at the local level. The first priority for the government should be to hold meetings of the various ministries and agencies involved in the provision of guidance to traditional and special local industries, and to build consensus with local government authorities. In this way, the government can ensure that the provision of guidance to local industries achieves meaningful results, and a relationship can be built up between central and local governments based on trust, mutual assistances, and healthy interaction.

(2) Implementation of a National Survey of Traditional and Special Local Industries

As regards to the depth and breadth that are needed in the provision of guidance to traditional and special local industries, an in-depth survey of these industries is needed to ensure that assistance is provided where it is required. The implementation of systematic surveys of the local industry by local government authorities should make it possible to gain an overall understanding of the current state of development of those industries that display particular potential or that are of particular importance. This information can then provide a sound basis for further guidance and promotion work by various government agencies.

(3) Formulation of a Multi-tier Development Strategy

The results obtained in the survey of local industries can be broken down by product quality and by the maturity of the industry in question. Taiwan might want to follow the example of Thailand, which divides local industries into the following categories: those well suited for exportation, those with some export potential, and those whose products can be marketed only within Thailand. Alternatively, guidance planning can be based on cultural, industrial, R&D, service, marketing, image, or “hardware” infrastructure aspects, thereby helping those local industries that have yet to acquire their own unique character to gradually develop their own distinctive features, working either from a cultural or an industrial point of view. With respect to those local industries that have already succeeded in differentiating themselves, the government can provide assistance in the strengthening of R&D activity, in image building, and in market development. As for those products that are already

competitive in international terms, guidance work here needs to focus on packaging, product design, and international marketing. Local industries at all levels need to be integrated effectively with the relevant “hardware” facilities and tourism resources.

(4) Establishment of Benchmarks for the Appraisal of Traditional and Special Local Industries

There are many different kinds of local industry, each with their own unique characteristics. When undertaking nationwide surveys of traditional and special local industries, it is important to establish appropriate appraisal benchmarks or indicators for each type of industry. The questions that should be considered include the following: Is the industry unique? Does the industry enjoy a leading position or a high level of recognition within its own particular sector? Does the industry possess any special cultural or landscape-related features? Would the provision of guidance significantly increase the marketability of the industry’s products? Once guidance has been implemented, the agencies concerned need to follow-up on an ongoing basis to determine whether additional guidance is needed. Another important task is the development of “flagship” industries that serve as a model for other industries in the same sector, enabling others to benefit from their experience.

(5) Promoting the Internationalization of Traditional and Special Local Industries

As the process of economic globalization continues, the potential exists for leveraging traditional and special local industries to build up a distinctive image for Taiwanese products that can then be combined with aesthetic and artistic elements to facilitate international marketing, giving Taiwanese local industries their own unique positioning within the global economy. However, to be competitive in international terms, Taiwan’s local industries need to be able to offer innovative, high-quality products. Other important strategies for helping local industries to develop new business opportunities include the holding of and participation in international exchange activities, and the promotion of image-building advertising in order to build up international awareness and attract the interest of consumers in other countries. An example of what can be achieved in this respect is the Thai government’s recruitment of Italian designers to help give local industries’ products an international image.

(6) Division of Labor between Central and Local Governments

Taiwan's local industries are widely dispersed throughout the country. Local governments can therefore be expected to have the most in-depth knowledge of the current state of development of local industries and of their special needs. By involving local government authorities in guidance planning and arranging for them to assist in the implementation of guidance work, the results achieved can be significantly enhanced. While supervising the effective integration of resources, the central government must also take responsibility for ensuring collaboration and resource sharing between country and city governments. Aside from setting up platforms to facilitate the sharing of information and experience, the government also needs to set up an inter-departmental review mechanism to coordinate the integration of resources between different ministries and agencies, render the division of labor between them more efficient, and ensure that resources are not wasted through duplication.

In the past, the role that traditional and special industries have to play in the process of economic development has generally not been appreciated. As a result of this long period of neglect, coupled with the recent emphasis on diversification, different local products have tended to become blurred, and firms in many industries have found it increasingly difficult to find young people interested in learning any traditional skills. In recent years the government has begun to make changes to its industrial policy and has started to provide assistance to local industries that demonstrate distinctive local character or a strong industry cluster effect, helping them to transform themselves so that they can contribute to local economic development, create new jobs, and promote social stability and social harmony. Promoting the development of traditional and special local industries is one of the key elements in the government's Challenge 2008 National Development Plan, and the Taiwan Healthy Community Six Star Promotion Plan has made provisions for more effective coordination between government agencies. This guidance to traditional and special local industries by the government is thus being transformed. In the future, Taiwan's local industries will shine radiantly not only within their own local communities, but on the international stage as well.