



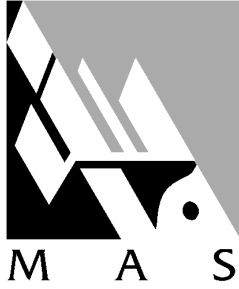
Palestine Economic Policy Research Institute (MAS)

Heritage Industries in the OPT

Investment Opportunities and Horizons for Micro, Small and Medium Industries

Muhannad Hamed

2011



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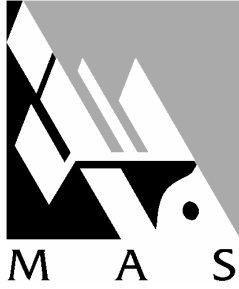
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Heritage Industries in the OPT: Investment Opportunities and Horizons for Micro, Small and Medium Industries

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Foreword

Handicraft heritage industries have a vital economic and spiritual position in the Occupied Palestinian Territory (OPT). Economically, they are an important source of income for hundreds of families that have inherited traditional artisan skills throughout centuries. By virtue of providing a large number of traditional handicrafts that symbolize the life, history, culture and identity of Palestine and its people, these industries complement and enhance tourism in the Occupied Territory. They also contribute to the understanding of the development of Palestinian life and creativity through representational physical objects. Thus, it is not only about the jobs these industries create or the income they generate- rather, but about an issue of national interest; Therefore, it is imperative that we ensure their survival, growth and success in the long run.

This study is part of an integrated research program on micro, small and medium enterprises in the OPT. It analyzes the opportunities and prospects for investment in traditional crafts. The study demonstrates that these industries are of limited size (in terms of the number of workers), and despite the introduction of machinery and mass production methods, they still depend on specialized manual skills. As a result, protecting these industries has become both urgent and difficult due to sector-specific human resource scarcity.

Additionally, the study examines the challenges traditional crafts face in terms of size and profession nature. These obstacles and limitations are classified into four main areas: raw materials, employment, production and marketing. The study found that the intensification of these challenges may threaten the long-term sustainability of some traditional industries. In some cases certain handicraft sub-industries have already collapsed. For others extinction is only a matter of time. This reality has already negatively impacted the many people involved in artisanry, particularly in tourism.

As we publish this study, I would like to thank the research team, editors, and reviewers for their efforts. I would also like to thank the members of the heritage and craft industries community, who participated in focus groups, and provided valuable information and analysis on the conditions of the sector. I would also like to thank experts and professionals who participated in the workshops and whose contributions have considerably

enriched this study. This study is the last amongst several within the poverty-reduction program – aimed at developing micro, small and medium enterprises – supported by the International Development Research Centre- Canada (IDRC) for the past two years. I would like to extend my deepest gratitude to the IDRC for their generous support.

Dr. Samir Abdullah
Director General

Executive Summary

Heritage industries play a vital role in the Palestinian economy as a part of the tourism sector. These industries provide tourists with souvenirs that reflect Palestinian culture and heritage and contribute to enriching their Palestinian experience. They also provide pilgrims to Bethlehem and Jerusalem with highly demanded religious souvenirs. Generally, these industries create points of differentiation between nations, for they are a reflection of a nation's history and heritage. There are various heritage industries in Palestine, several of them are now perishing, however, for different reasons. The main Palestinian crafts are, embroidery, traditional costumes, Nabulsi soap, olivewood carving, glass, ceramics, pottery and shell products, fabrics, handmade carpets, bamboo, straw and wax products.

The definition of the term 'heritage industries' is controversial, yet almost all definitions agree on the common features of these industries: simple, handmade, mainly depending on craftsmanship, and family-based. These industries require inherited or acquired special skills. The products are typically simple, in limited quantities, and do not depend heavily on costly sophisticated machinery. Therefore, similarities can be found between heritage industries and micro industries in terms of the volume of capital, the number of workers, the level of technology use, and the ability to operate at home or in limited spaces.

Statistics show that some 199 workshops are operating in the Palestinian Territory. These shops employ 637 craftspeople and contribute to the value added of tourism industry with no more than 2.5% (the latter's contribution to GDP being less than 3.5%). It also appears that these shops are small in size and could even be described as 'micro' in regards to the number of workers, as the average number of workers is 3.2 workers per shop (other statistics show lower figures). Thus, studying heritage industries and the problems they encounter will reflect the difficulties sustained by small craft enterprises.

Heritage industries face numerous difficulties, some of which have contributed to the decline- as in handmade carpets, bamboo, and straw products- and even the erosion of some of these industries. According to various sources, problems facing craft industries are somewhat similar, and are mostly related to the nature of the industry itself. Most of these industries are facing difficulties in acquiring raw materials, as many of them historically depended on domestic materials in their production (a prominent characteristic of these industries). Today, however, these industries depend heavily on importing raw materials. The main reasons behind this shift are the unavailability of domestic raw materials and their high costs compared to imported ones. For instance, the weakness of the Palestinian agricultural sector caused the scarcity of domestically produced wool, which is the major raw material in producing handmade carpets. In addition, the agricultural sector provides olivewood as a raw material for the olivewood carving industry, while at the same time, constituting the primary source for olive oil used in manufacturing Nabulsi soap. This dependency on a weak agricultural sector has pushed producers towards importing olive oil and therefore decreasing the comparative advantage of domestic products.

Workers in heritage industries are usually family members (who are generally unpaid) in addition to workers with low pay in comparison to the local average, which is an impediment itself. Most workers, driven by low wages and inappropriate working conditions, prefer to look for higher-paying, less-demanding and less-harmful jobs than hand-making glass, for example, which involves spending lengthy hours in high-temperature environments. Craft shops owners face a problem in replacing these workers as their crafts require specific skills that are not highly available in the labor market. However, these industries provide employment opportunities for many marginalized groups, such as, housewives, retirees and special needs people. For instance, around 4000 women worked from home in embroidery and making traditional costumes in 2006, and many of the families of these women have lost their main source of income.

More craftsmen and shop owners are moving towards marketing their own products today. However, the numerous obstacles in domestic and international marketing push them towards depending on local and international crafts fairs as their single marketing channel. Unfortunately, these fairs do not completely satisfy the marketing needs of heritage products. Moreover, craftsmen find it difficult to participate in trade shows and fairs that require payment for display areas. As for international trade-shows, craftsmen are only able to participate through large cooperatives and associations, taking into consideration the fact that Israel does not usually allow the return of unsold products except through Israeli intermediaries, which creates a great financial burden even for large cooperatives.

All these obstacles and difficulties in addition to other problems have put restraints on Palestinian crafts, which in turn has pushed craftsmen to turn into other business areas, has reduced these industries' contribution to the Palestinian economy, and most importantly, has led to the erosion of crafts and Palestinian heritage that distinguishes Palestine among nations. All the above will certainly affect the Palestinian tourism sector, as most tourism-dependent countries rely on their heritage and culture that are presented in the form of heritage crafts.

In spite of the significant contribution of micro, small and medium enterprises in employment, providing income and production, and in spite of the significant impact of heritage industries on tourism, economy and social life, many of these industries face the risk of extinction. To protect, develop and improve the contribution these industries in the Palestinian economy, we propose the following recommendations:

- ✧ Adopting a definition and classification of heritage industries, and conducting detailed studies on micro, small and medium-sized craft enterprises which form the largest percentage of this sector.
- ✧ Enacting a law that regulates the work of heritage industries and provides a legal framework in which enterprises can easily operate. The law should include a definition, classification, registration, regulatory framework, specifications and standards

for heritage products so as to ensure high quality traditional products.

- ✧ Establishing an organizational body that can regulate and supervise this sector. For example, in collaboration with government agencies, the organizational body can assist in providing the raw materials of good quality to industries at a reasonable price.
- ✧ Developing a comprehensive strategic plan to revitalize the tourism sector. For example, the government or other concerned parties can create an official website of the heritage industries. They can also organize permanent or periodical exhibitions at both local and international levels in order to promote their products.