

# Buddhist Economics and Niche Markets: Combining Two Concepts

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- All of you certainly have an understanding of *Buddhist Economics*, otherwise you would not be congregating here. But please allow me to say a few words about economics in general. Franklin Delano Roosevelt, a former US-President, said in his Second Inaugural Address: „We have always known that heedless self-interest was bad morals; we now know that it is also bad economics“.

The traditional understanding of Economics – even back to Aristotle - refers to the „economic use of resources“, that is being economical in contrast to *wasting* resources. An implication of this concept can be seen in terms like „simplicity“ and even „austerity“. What is maybe surprising is that in fact these notions are becoming „smart economics“ and very modern, too. „New Moderation“, „New Simplicity“, „New Austerity“ and „New Frugality“ have already become Zen-like, attractive and fundamental values of trendy and up-to-date lifestyles – much more *sustainable* than outmoded mainstream consumerism and outdated shop-until-you-drop behavior of neurotic teenagers and frustrated housewives.

- But what does the concept of „Niche Market“ and „Niche Products“ mean in this context? And how do Niche Markets fit in with the *practice* of Buddhist Economics?

I first came across the niche market concept during my work in Laos (1993-2003) as an adviser on economic and social development to the Lao government. In those days, the major problem of the Lao PDR was (and still is until today),

that Laos was in no way competitive in regional or global markets. Nearly all consumer goods (except basic food stuffs like sticky rice and herbs) had to be imported in bulk from its more productive neighbors Thailand, Vietnam and China. But how could the Lao people pay for all these imports in times of rising consumer expectations? Sadly, Laos pays with the wholesale of its still abundant natural resources, especially tropical timber, which has led to the denudation of large parts of the country, followed by land erosion and severe climatic changes.

- How to solve the problem of a chronically negative balance of trade (in fact, since 1928!)? During 10 years of project work on economic development we found that the concept of niche markets, if properly and cautiously applied, could be useful to boost the income of small and impoverished countries (like the Lao PDR) where average productivity is low and where conventional economics of scale cannot be applied as production is little and done mostly by small companies or villages producing barely enough for their own consumption.

- **Niche Markets – what does it really mean? A short definition**

*A niche market* is a segment of the market that can be successfully exploited through the specific capabilities of a given country, village, organization or individual. For example, a country has a comparative advantage over another country for the production of certain goods and services due to its climate, topography, location or the special skills and know-how of its population. Such „niches“ in the market are normally too small to be served by big companies.

In the case of niche markets the scale of production or the volume of services is not so important though it may reflect

in higher prices. In fact, smaller enterprises may have a distinct advantage over big ones because they can respond much more quickly to market demand and sudden business opportunities.

It is simply a myth that „big is best“. Past and present experience shows that many problems of big companies originate from their giant and unoverseeable size. You need not to be a global player to be successful in the field of niche economics.

However, to be durable, a niche market must not be vulnerable to swift imitation by competitors who may produce goods or render services at a cheaper price or of a better quality.

- **The production for niche markets should therefore rely on:**
  - strategies like „simple is effective“ and „ think small“ .
  - activities mostly based in a rural or maritime context.
  - necessary raw materials which are locally sourced.
  - activities that draw on local wisdom and traditional skills and bank on locally rooted forms of development.
  - that the destination of niche products and niche services is mostly local and regional except in the case of global tourism.

*Warning:* Some of the Thai participants by now may think of the populist OTOP („One Tambon - or district-, One Product“) - philosophy. Even though there are some similarities, as far as products are concerned, it is not at all the same idea as hopefully my further explanation will show. In Thailand, post-Thaksin grass root policies need rigorous rethinking, especially in cases where people got addicted to government handouts.

- **„It always pays to specialize“ – Some examples of Niche Markets.**

- Organic agriculture, horticulture and organic fish breeding as opposed to chemical farming and toxic horticulture.
- Health Food and Organic/Herbal Medicine produced in the traditional ways („slow food“) and in combination with Health - Tourism and Gastro - Tourism (traveling to eat special food).
- Spiritual Tourism, Meditation - and Dharma Tourism.
- Deer farming, butterfly ranching, rainbow trout breeding and ostrich raising.

Especially culture-tourism cannot be imitated easily – except in Disneyland style. Hence, it has a natural protection against competitors even the very big ones. And these sectors are highly labor-intensive – meaning not only that they employ many people but also that the very differences in wages play to the advantage of a poor country like Laos for example.

However, such an approach has to be carefully crafted. Niche Markets need excellent niche products. Otherwise they look pale in comparison to the big multinational players in the tourism- and health-food-industry with their huge marketing efforts and giant advertising budgets.

Hence, niche products should have the quality of „brands for friends“.

- Organic Food is by far the most lucrative niche market. Catering to the tastes of the rapidly growing number of health – conscious and affluent consumers worldwide would also have a number of spill – over effects to local production and consumption patterns. For example, organically

grown „brown“ rice has improved the health of the farmers themselves (no more exposure to pesticides and herbicides) and it has also improved their bank accounts.

### ***From health economics to healthy economics!***

- Another interesting proposal for viable niche markets could be a *combination* of cultural tourism and health food. For example, a deer breeding farm or a trout raising venture could be attached to a guest house, a home-stay or a resort hotel. Tourists would visit these places not only for relaxation but also for their tasty and healthy food.
- The concept of niche markets could thus serve a *double purpose*. It could help to supply better and healthier products and services for local consumption, thereby indirectly contributing to income generation and poverty reduction. At the same time, it could be a good way to earn foreign exchange for the country (or the province or the village) and thereby improve the national trade balance as can be demonstrated in the case of the Lao PDR.
- There is one more aspect of the niche market concept which could be worth exploring further. During my research in Laos I have called this the „hill peoples' mode of production“. Keeping in mind the multi-ethnic composition of the Lao ( and the Thai ) population and the chronic state of poverty in the hills, niche economics - as odd as they may sound sometimes - like deer – and ostrich farming or trout breeding could very well help to improve the cash income of the mountain tribes and also increase their own meager food supplies. Ethnic groups like the Karen or the Pa-O, for example, are highly talented gardeners who could specialize in collecting and (even better) cultivating medicinal plants for sale in niche markets abroad, such as Chinese pharmacies in Bangkok, Singapore or Hong Kong.

- I hope, I have shown to you the very benefits of a niche market approach. In fact, under existing circumstances we have to admit that Buddhist Economics in sheer terms of size is a *niche* itself as opposite to the quickly expanding „Green Capitalism“ (advertising slogan : „Green is Gold“).

By combining the two concepts of Buddhist Economics and Niche Markets creatively, we could possibly gain some *synergy*. For many Westerners, Buddhism itself is a very modern „product“. The tradition, culture and lifestyle in Buddhist monasteries are highly attractive to foreign visitors. The problem is how to combine the needs of maintaining the spiritual core of such institutions with an openness to people visiting the sacred places. Certainly, this is an extremely sensitive issue.

Last but not least synergies can also be found in the fields of rural development and poverty reduction. In addition, such activities would strengthen rural self-reliance patterns and show a way out of the prison of subsistence in poverty.

***Think outside the box and be inspired!***

***Never underestimate new ideas!***

### Other related literature by the author

- Socialism in a Subsistence Economy: The Laotian Way, An Analysis of Development Patterns in Laos after 1975, Hans U. Luther, CUSRI, Bangkok, 1983, 65 pp.
- Niche Markets, Hans U Luther et al., in English/Lao. Vientiane 2000, 130 pp. See here especially chapter 13 „Niche Markets for Niche People“ about how to improve the quality of life of the mountain people in the Lao PDR in a culturally compatible way.
- Niche Products and the Environment, Hans U. Luther et al. in English/Lao, Vientiane 2003, 144 pp.