

## **Huajian of China's Ethiopian export zone may generate \$4 bln**



**Addis Ababa, March 23 (WIC)** - Huajian Group, a Chinese shoe maker, plans to build a manufacturing zone in Ethiopia that may generate \$4 billion of exports a year within a decade, Vice President Helen Hai said.

Construction of the 320-hectare (791-acre) site in Lebu on the outskirts of the capital, Addis Ababa, may start before the rainy season begins in June, Hai said in an interview on March 20 in Dukem, 30 kilometers (18 miles) southwest of the city.

“It should start in May with my own investment,” she said. “We will own it and we will manage it. The government promised me in two weeks’ time to finalize the process.” Huajian Group, based in Dongguan, Gaungdong province, produces about 20 million pairs of shoes a year for brands including Calvin Klein (6625B) and Guess, according to Hai.

Ethiopia generated \$65.8 million from shipments of leather and leather products in the six months through December, up 62 percent from a year earlier, according to the Trade Ministry.

Total exports last year were \$2.8 billion, it said. Ethiopia has the largest livestock population in Africa, according to the Intergovernmental Authority on Development, a seven-nation regional bloc.

In 2010, the Ethiopian government said it planned to license more than 703 billion birr (\$40.3 billion) worth of investment projects over five years, helped by laws that prioritize investment in industries including manufacturing, leather products and tourism.

## World Bank

Ethiopia can maintain its economic growth rate by developing manufacturing of clothing, leather, metal, wood and agricultural products, World Bank Chief Economist Justin Yifu Lin told reporters in Addis Ababa on March 18 at the launch of the bank's Light Manufacturing in Africa book.

Ethiopia's economy grew 7.5 percent in 2011 compared with 8 percent in 2010, according to International Monetary Fund data. "Light manufacturing can offer a viable path for Ethiopia and other sub-Saharan African countries as they transform their economic structure and strive for productive job creation," Lin said.

The so-called Ethio-China Light Manufacturing Industrial Special Economic Zone will require \$2 billion of investment over 10 years, according to Hai.

Cheaper labor costs, domestic supplies of leather and preferential access to European and U.S. markets are the primary attractions for investing in Ethiopia, she said. "Several million dollars" has already been invested in Hua Jian International Shoe City Plc in Dukem, which started producing shoes for the U.S. market on January 5, three months after Ethiopian Prime Minister Meles Zenawi invited the company to invest, Hai said.

## Chinese Workers

The importation of Chinese workers and inputs for the Ethiopian operation will be phased out as Ethiopians are trained and domestic leather quality improves, she said.

Huajian's factory in Dukem, which currently has equal amounts of Chinese and Ethiopians among its 500 workers producing 1,000 pairs of shoes a day, will be moved to Huajian's Special Economic Zone next year, Hai said.

“Some of the biggest Chinese clothes makers are interested” in the zone, she said. “The issue in China is that rising labor costs and exchange rate are making manufacturing difficult.”

Countries like Vietnam that sell \$8.2 billion worth of garments a year outperform Ethiopia, which produces \$10 million annually, because they have lowered transaction costs, Lin said.

Streamlined customs procedures, easier access to foreign exchange and the construction of an industrial zone near Djibouti’s port, where Ethiopian goods are shipped from, would solve the “most important trade logistics issues,” according to the World Bank book.

If these measures are taken “there is no reason they can’t scale up production to the same level as in Vietnam,” Lin said. The new zone near the capital will eventually employ 100,000 workers who will be given food, housing and schooling on site, according to Hai.

The China-Africa Development Fund and the International Finance Corp., the World Bank’s private-lending arm, are interested in backing the project, she said.