

# The next phase of globalization

## Ethiopia to become world's next apparel hub

Tommy Hilfiger and Calvin Klein are increasingly being 'made in Ethiopia.' At an industrial park in Hawassa, which opened in June 2017, 18 new clothing factories began setting up shop. Everything that is produced here is destined for the export market. NABC's Arne Doornebal visited the Hawassa Industrial Park just one week after its opening.

The road leading to the 'Hawassa Industrial Park' (HIP) has only just been completed. A team of Ethiopian workers is still finalizing the drainage under close supervision of a Chinese supervisor. Meanwhile, dozens of young women cross the six-lane road towards the entrance of HIP. The time is approaching 8 a.m.

Park Manager Ato Belay is a busy man. As a delegation of Japanese investors awaits him, there is just enough time to visit the rooftop of his office, which boasts an impressive view over the 300-hectare industrial park. "All 52 manufacturing plants



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have been constructed in only 10 months, by a Chinese company," Mr. Belay explains. "Each of them has been rented out already. We want to start with an extension of the park right away." This sounds a little overambitious, as the roads between the 52 gigantic halls still show very little traffic. "Many of these companies are still in the starting up phase. At least six of them are already exporting."

Out of the 18 companies that manufacture apparel at HIP, the majority are from India, Sri Lanka, China, Taiwan and Hong Kong. They are joined by three companies based in the EU, as well as PVH, the US-based company that owns the famous Calvin Klein and Tommy Hilfiger, a company that had an annual turnover of USD 7 billion in 2016. "Six companies that produce clothes at HIP are also suppliers of PVH, which also produces CK and Tommy clothes here. "All exports are meant for the US and EU markets," explains Mr. Belay.

### Affordable labor and cheap electricity

"Ethiopia is the future of the fashion and apparel industry," explains Hemant Gupta, the manager of Indian fashion company Raymond, from his office at the HIP. "The costs of export is low, and so are the costs of labor and electricity. The only challenge we face is the lack of an industrial culture, and that is why we need a



The Hawassa Industrial Park is expected to generate tens of thousands of jobs.

Photos by Arne Doornebal.



lot of training.” The company is slowly building up its Ethiopian branch,’ Mr. Gupta explained. “We start with only one or two assembly lines for high-quality suits, and we have 500 employees. In the coming years, we’d like to increase that to 3,000 staff members.” According to Mr. Gupta, that won’t cost jobs in his home country, where the company employs 10,000 people. “We see this purely as an addition. It is our first foreign branch,” Mr. Gupta added.

His colleague Nitesh shows us around through the production lines. In the enormous factory hall, the area used by the production lines contributes only 20 percent of the total space. Therefore, a six-fold increase should be realistic, without the need of renting a second building. Ethiopian women are sitting behind sewing cutting machines, neatly lined up in straight lines.

Amongst the Ethiopian employees there is an occasional staff member from India or Bangladesh. They are here for training purposes. “At the moment, we produce 100 suits per day,” Nitesh explains. “Within a year and a half, we want to have boosted this to 4,000 suits per day, and we’ll have 16 production lines operational.”

### Tax Holidays

Companies operating at HIP are exempted from income tax for the first 10 years. In addition, machines and raw

materials can be imported free of tax. The Ethiopian government is doing all it can to make the park attractive. Right next to Raymond, we find Isabella, a factory that produces socks in all colors and sizes. The company originates in Sri Lanka. Manager Charitha Bandaratilake is, just like his neighbor, enthusiastic about being located at the HIP. “The availability of labor in India, and East-Asia in general, is decreasing,” said Mr. Bandaratilake. “At least here in Ethiopia, we can still find laborers in abundance.” At least 5 million people live within a radius of 50 km from HIP. Ethiopia, with some 100 million inhabitants, is Africa’s second most populous nation after Nigeria.

Mr. Bandaratilake welcomes the 10-year tax holiday. He regards exports to the US, under the AGOA trade agreement, as a major opportunity for the company. “The first four shipments of socks have been exported, both to Sri Lanka and to Europe. 90 percent of our production ends up in France and Germany,” he added. Isabella employs 282 Ethiopians and 31 expatriates, mainly from Sri Lanka. They will stay in the country for approximately 2 years.

“Eventually, HIP should employ 60,000 people,” concluded Mr. Belay. Without waiting for HIP to become operational at full capacity, Ethiopia has begun the construction of another 14 new industrial parks. 