

# QUICK SCAN OF THE LINKAGES BETWEEN THE ETHIOPIAN GARMENT INDUSTRY AND THE DUTCH MARKET

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# 1. INTRODUCTION

**Global garment brands and retailers are continuously looking for cheap(er) production locations; as a result speed and low costs have become important requirements for manufacturers. Rising minimum wages in countries such as China and Vietnam have led to a shift in production, first to Bangladesh, later to Myanmar and now Ethiopia is said to become the next hub for textile and apparel sourcing.**

**Mondiaal FNV commissioned SOMO to conduct a short mapping ('Quick Scan') of the Ethiopian garment industry.**

## AIM

The aim of the requested Quick Scan was to identify which international brands and retailers are currently sourcing garments from Ethiopia as well as the linkages that exist between the Ethiopian garment industry and the Dutch market. Mondiaal FNV is working together with CNV and the Fair Wear Foundation in a five year partnership with the Dutch Ministry of Foreign Affairs (2016-2020). One of the countries the partnership will focus on is Ethiopia, where the organisations intend to work together with local partners to stimulate social dialogue, to establish a living wage and to reduce gender discrimination.

## RESEARCH QUESTIONS

1. Which international brands and retailers are sourcing garments from Ethiopia?
2. Which brands and retailers are currently selling garments made in Ethiopia in the Netherlands?
3. What kinds of products are being produced by the Ethiopian garment industry?
4. Foreign ownership versus local ownership: what percentage of Ethiopia's garment factories is foreign owned? What percentage is locally owned? What percentage are joint ventures between local owners and foreign owners?
5. Are there any indications of unauthorised subcontracting between countries (e.g., foreign manufacturers shifting production from one country to Ethiopia without informing the client and without mentioning Ethiopia as the country of origin)?
6. In order to determine what percentage of garments produced in Ethiopia are made from Ethiopian cotton, SOMO will answer the following questions: What percentage of Ethiopian produced cotton is exported and what percentage remains in Ethiopia for further processing (spinning, weaving, garmenting)? How much cotton is imported by Ethiopia?

## METHODOLOGY

Information was gathered using a combination of desk research, interviews, store visits and a short questionnaire. First, an initial sample of manufacturers producing in Ethiopia and brands sourcing from Ethiopia was gathered through desk research. The questionnaire was then sent to the identified brands to check the following:

- (1) verification as to whether they were indeed sourcing garments in Ethiopia;
- (2) which manufacturers they work with;
- (3) the products they source from Ethiopia; and
- (4) the challenges that the brands identified as being associated with sourcing in Ethiopia. Several interviews were held to gather additional information on the challenges associated with sourcing.

## INTERVIEWS WERE CONDUCTED WITH REPRESENTATIVES FROM:

- Dutch embassy in Ethiopia
- Ethical Apparel Africa
- Solidaridad
- Primark

**QUESTIONNAIRE**

SOMO drafted a questionnaire that inquires about garment companies’ sourcing activities in Ethiopia. The following table shows the companies that received this questionnaire, which of them responded to the questionnaire (■); which of them preferred not to respond to the questions (■); and which companies did not respond (■).

| TABLE 1: COMPANY RESPONSES TO SOMO QUESTIONNAIRE |                |               |
|--|----------------|---------------|
| Adidas   | Tesco          | Schoffel      |
| Marks and Spencer                                | C&A            | WalMart       |
| H&M  | Inditex        | Obermayer     |
| Primark  | Tchibo         | George (Asda) |
| JC Penny   | Kik            | Levi Strauss  |
| Phillips-Van Heusen <sup>1</sup>                 | VF Corporation | Hugo Boss     |

<sup>1</sup> Both sides failed in efforts to set up a telephone conversation.

# 2. THE ETHIOPIAN GARMENT INDUSTRY

## 2.1 GROWTH OF THE TEXTILE AND GARMENT INDUSTRY IN ETHIOPIA

Ethiopia has a long history of textile manufacturing for the local market. In recent years, the sector has undergone rapid growth, with a number of new players – often foreign-owned textile and garment manufacturers – establishing production facilities with the aim of supplying to foreign markets.<sup>2</sup> This expansion has both internal and external reasons. Changing conditions (such as increasing wages) in popular textile and apparel producing countries such as China have led brands and retailers as well as manufacturers to seek alternative sourcing locations with lower production costs. Ethiopia has emerged as an interesting option having a large and cheap workforce. Ethiopia has no established official minimum wage rate and thus wages in the garment and textile industry can be as low as \$23 per month.<sup>3</sup> In an unpublished analysis of Ethiopia's textile and garment industry, which was drafted by Annie Francis for Mondiaal FNV, Francis provides a list of monthly salaries that range between \$26 to \$60.<sup>4</sup> Low labour costs are seen as Ethiopia's most attractive feature.

In an effort to diversify a dominantly agricultural economy, the Ethiopian government has contributed to the growth of the textile and garment industry by prioritizing the industry as a strategic sector. As a result, the government has set ambitious targets for the industry in its *Growth and Transformation Plan (2010-2015)*, which aimed to increase annual earnings from \$160 million in 2007 to \$1 billion by 2016 and increase direct foreign investment by \$1.6 billion in order to build 191 new textile and garment factories.<sup>5</sup> The goal is to increase export from the current 20% of total garment and textile production to 80% of the total garment and textile production by 2020, so that garment and textile exports will eventually account for a total of 22% of all exports.

### Incentives for the garment and textile industry

In order to achieve these stated targets, the government created several incentives to attract foreign companies, such as export incentives, low-cost land lease options, low-interest loans (as low as 3%), corporate tax holidays and custom duty exemptions on imported equipment.<sup>6</sup> In addition, the Ethiopian government established the Ethiopian Industrial Development Zones Cooperation in 2014, which is responsible for the development of several state-of-the-art industrial parks, making it easy for foreign investors to settle in the country. Furthermore, low electricity costs<sup>7</sup> and relatively easy access to the global market due to trade agreements such as the African Growth and Opportunity Act and the GSP+ and several bilateral trade agreements make Ethiopia a more attractive sourcing destination.

## 2.2. CHALLENGES FOR THE TEXTILE AND GARMENT INDUSTRY IN ETHIOPIA

Despite government incentives, the interviews and questionnaires conducted for this report reveal that companies have been slow to respond. The initial enthusiasm that brands had for Ethiopia has yet to result in the large increase in production that the Ethiopian government was aiming to achieve. Moreover, several buyers who were initially interested have not started production in Ethiopia, while several brands that are currently producing in Ethiopia are producing at lower volumes than initially expected.

<sup>2</sup> Based on: Francis, A. (2015) Context Analysis Textile and Garment Sector in Ethiopia (Draft Version).

<sup>3</sup> *Wall Street Journal*, 'Search for Ever Cheaper Garment Factories Leads to Africa', July 12, 2015.  
<<http://www.wsj.com/articles/search-for-ever-cheaper-garment-factories-leads-to-africa-1436347982>>

<sup>4</sup> Based on: Francis, A. (2015) *Context Analysis Textile and Garment Sector in Ethiopia* (Draft Version).

<sup>5</sup> Africa Fashion Guide, 'Ethiopia is the New Sourcing Destination', June 8, 2013  
<<http://www.africafashionguide.com/ethiopia-is-the-new-sourcing-destination>>

<sup>6</sup> *Wall Street Journal*, 'Search for Ever Cheaper Garment Factories Leads to Africa', July 12, 2015.  
<<http://www.wsj.com/articles/search-for-ever-cheaper-garment-factories-leads-to-africa-1436347982>>

<sup>7</sup> Ibid.

Challenges remain within the Ethiopian textile and garment sector. For one, the lack of worker experience and education attributes to both the low quality of products as well as low worker productivity.<sup>8</sup> In a report by the CBI, H&M reportedly mentioned that production costs in Ethiopia are, on average, 20% higher than in Bangladesh. Limited efficiency and capacity utilization, as well as the limited skills of workers and quality of raw materials, may help explain the discrepancy in production costs.<sup>9</sup>

### Protests and demonstrations

In 2016, protests and demonstrations in Ethiopia increased throughout the year. The demonstrations, galvanized initially around land issues, soon turned to protests directly against the Ethiopian government. Since a state of emergency was declared by the government on October 9, 2016, the protests have lessened.<sup>10</sup> In an email sent to SOMO in January 2017, the Dutch embassy noted that the civil unrest had “calmed down,” and there continued to be in general, good chances for (Dutch) investments in Ethiopia. However, government bureaucracy and inefficiency, the unpredictability of the Ethiopian tax regime, shortage of foreign exchange, as well as poor land rights registration have a negative influence on potential investments.<sup>11</sup>

### Availability of cotton

Another important factor is the availability of cotton. According to the government-owned Textile Industry Development Institute, there are 3 million hectares available for cotton farming in Ethiopia.<sup>12</sup> The government’s calculations are used as justification for a policy that encourages an expansion of cotton production. However, current production is very small compared to the area designated by the government for potential cotton farming. Only 30,000 to 40,000 hectares are currently being utilised,<sup>13</sup> which is not enough to keep up with current garment production demand. This means cotton is still being imported, which makes production costs less competitive from a global perspective. To address this challenge the development of cotton production is a key element in the government’s plans for the industry’s expansion. The quality of cotton produced in Ethiopia will also need to be addressed. In a response to this report’s questionnaire, H&M mentioned that ‘due to quality challenges, H&M has since 2014 not been able to use Ethiopian cotton’<sup>14</sup>.

### Land issues

It should be noted that the way in which the Ethiopian government has arranged land deals has been contested, and there are various known cases of land grabs.<sup>15</sup> Large-scale land deals are often paired with government-led *villagisation* projects, in which local populations are forcibly removed from their land without proper compensation.<sup>16</sup> Protests against forced displacement have been met with government violence.<sup>17</sup> Furthermore, the growing competition for grazing lands by pastoralists has caused increased tensions between Ethiopia’s various ethnic groups.<sup>18</sup>

<sup>8</sup>Deutsche Welle, ‘Low wages draw international textile companies to Ethiopia, December 10, 2015 < <http://www.dw.com/en/low-wages-draw-international-textile-companies-to-ethiopia/a-18877027>>, CBI, ‘Business Opportunity Report Ethiopia: Textile & Apparel Industry’, November 2015 < [https://www.rvo.nl/sites/default/files/2015/11/Rapport\\_Textile\\_Ethiopi%C3%AB.pdf](https://www.rvo.nl/sites/default/files/2015/11/Rapport_Textile_Ethiopi%C3%AB.pdf)>.

<sup>9</sup>CBI, ‘Business Opportunity Report Ethiopia: Textile & Apparel Industry’, November 2015 < [https://www.rvo.nl/sites/default/files/2015/11/Rapport\\_Textile\\_Ethiopi%C3%AB.pdf](https://www.rvo.nl/sites/default/files/2015/11/Rapport_Textile_Ethiopi%C3%AB.pdf)>, page 17.

<sup>10</sup>The State of emergency has been declared for half a year

<sup>11</sup>Dutch embassy in Ethiopia, response to questions from SOMO, January 26, 2017 (email)

<sup>12</sup>Africa Fashion Guide, ‘Ethiopia is the New Sourcing Destination’, June 8, 2013 <<http://www.africafashionguide.com/ethiopia-is-the-new-sourcing-destination>> ; TextileFuture, ‘Is Ethiopia a rising textile sourcing and production star?’, no date <<https://www.textile-future.com/-textile-manufacturing/news/is-ethiopia-a-rising-textile-sourcing-and-production-star/2306/>>.

<sup>13</sup>ibid.

<sup>14</sup>H&M, H&M response to SOMO questionnaire, December 22, 2016 (email).

<sup>15</sup>The Oakland Institute, ‘We Say The Land Is Not Yours: Breaking the silence against forced displacement in Ethiopia’, April 2015 <<https://www.oaklandinstitute.org/sites/oaklandinstitute.org/files/Breaking%20the%20Silence.pdf>>.

<sup>16</sup>ibid.

<sup>17</sup>Human Rights Watch, ‘Interview: Ethiopia’s Bloody Crackdown on Peaceful Dissent’, June 15, 2016 <<https://www.hrw.org/news/2016/06/15/interview-ethiopias-bloody-crackdown-peaceful-dissent>>.

<sup>18</sup>Human Rights Watch, ‘Ethiopia: Events of 2015’, no date <<https://www.hrw.org/world-report/2016/country-chapters/ethiopia>>.

### Increase in production

Despite the aforementioned challenges, several brands have started producing in Ethiopia leading to a substantial increase in production from 2012 on. Several international apparel companies (e.g. H&M) have started sourcing from Ethiopian factories and have identified Ethiopia as a 'top sourcing destination'.<sup>19</sup> The above mentioned challenges however will continue to have a severe influence on the growth of the sector. As mentioned earlier there are several brands that are producing at lower figures than initially expected and several brands have looked at Ethiopia as a possible sourcing destination but have not (yet) started production.

### Examples of initiatives

To overcome several challenges, the Dutch embassy in Ethiopia provides funding for Solidaridad to conduct a training program that covers a diverse range of issues including working conditions, environmental issues, quality and efficiency, and connections to the international market.

H&M was expected to start in 2017 with the implementation of a sustainable cotton project, aiming to increase traceability and introduce better economic, social and environmental practices to selected Ethiopian cotton farmers. The long-term aim is to gradually introduce Ethiopian cotton in our products'<sup>20</sup>.

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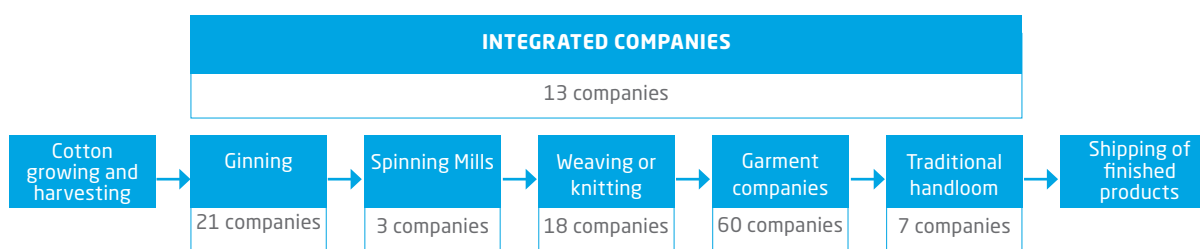
<sup>19</sup>Wall Street Journal, 'Search for Ever Cheaper Garment Factories Leads to Africa', July 12, 2015  
<http://www.wsj.com/articles/search-for-ever-cheaper-garment-factories-leads-to-africa-1436347982>.

<sup>20</sup>H&M, H&M response to SOMO questionnaire, December 22, 2016 (email).

# 3. THE GARMENT SUPPLY CHAIN IN ETHIOPIA

From yarn production to manufacturing finished garments and everything in between: textile producers in Ethiopia are engaged in a wide range of activities. While some factories focus only on CMT ('Cut-Make-Trim') others are also engaged in weaving and knitting. A significant number of the textile companies are vertically integrated, meaning that they engage in the production of yarns, fabrics and textiles, as well as finished garments. There are 122 textile and garment factories in Ethiopia.<sup>21</sup> The Ethiopian government is making efforts to add more value in the country and is restricting the export of raw, domestically produced cotton, in order to encourage companies to use local sources.<sup>22</sup>

Figure 1: different types of textile and garment companies operating in Ethiopia



Based on figures from the Ethiopian Investment Commission<sup>23</sup>

## 3.1. RAW COTTON, YARN AND FABRICS

### Raw cotton production

According to a US Global Agricultural Information Network (GAIN) report<sup>24</sup>, Ethiopia's total cotton production for 2014-15 was approximately 40,000 metric tons. The estimation for 2015-16 is 38,000 metric tons and for 2016-17 the prediction is that production will increase slightly to a total of 45,000 metric tons<sup>25</sup>. Meanwhile, imports continue to increase as well, comprising an estimated 8,000 metric tons for 2014-15<sup>26</sup>, and a predicted increase to 14,000 metric tons for 2016-17<sup>27</sup>. Information provided by the US Department of Agriculture (USDA), which monitors every country's cotton production and trade figures, clearly shows that Ethiopia's cotton production is currently still very insignificant compared to such top producers as India (which produced 5.74 million metric tons in 2015-16), the US (2.81 million metric tons) and China (4.79 million metric tons)<sup>28</sup>. Find in figure 2 Ethiopia's cotton production compared with the five top producers globally.

<sup>21</sup>EIC, Cotton, textile and apparel investment sector profile summary. Ethiopia, no year, <[http://www.intracen.org/uploadedFiles/intracenorg/Content/Redesign/Projects/SITA/4pager\\_Ethiopia\\_CTA\\_final\\_web\\_pages.pdf](http://www.intracen.org/uploadedFiles/intracenorg/Content/Redesign/Projects/SITA/4pager_Ethiopia_CTA_final_web_pages.pdf)>

<sup>22</sup>Ibid.

<sup>23</sup>EIC, Cotton, textile and apparel investment sector profile summary. Ethiopia, no year, <[http://www.intracen.org/uploadedFiles/intracenorg/Content/Redesign/Projects/SITA/4pager\\_Ethiopia\\_CTA\\_final\\_web\\_pages.pdf](http://www.intracen.org/uploadedFiles/intracenorg/Content/Redesign/Projects/SITA/4pager_Ethiopia_CTA_final_web_pages.pdf)>

<sup>24</sup>US Department of Agriculture Foreign Agricultural Service, 'Annual Cotton Report: Ethiopia', May 14, 2015 <[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Annual%20Cotton%20Report\\_Addis%20Ababa\\_Ethiopia\\_5-14-2015.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Annual%20Cotton%20Report_Addis%20Ababa_Ethiopia_5-14-2015.pdf)>

<sup>25</sup>Export.gov, Ethiopia Country Commercial Guide, 13 January, 2017 <https://www.export.gov/article?id=Ethiopia-Cotton>

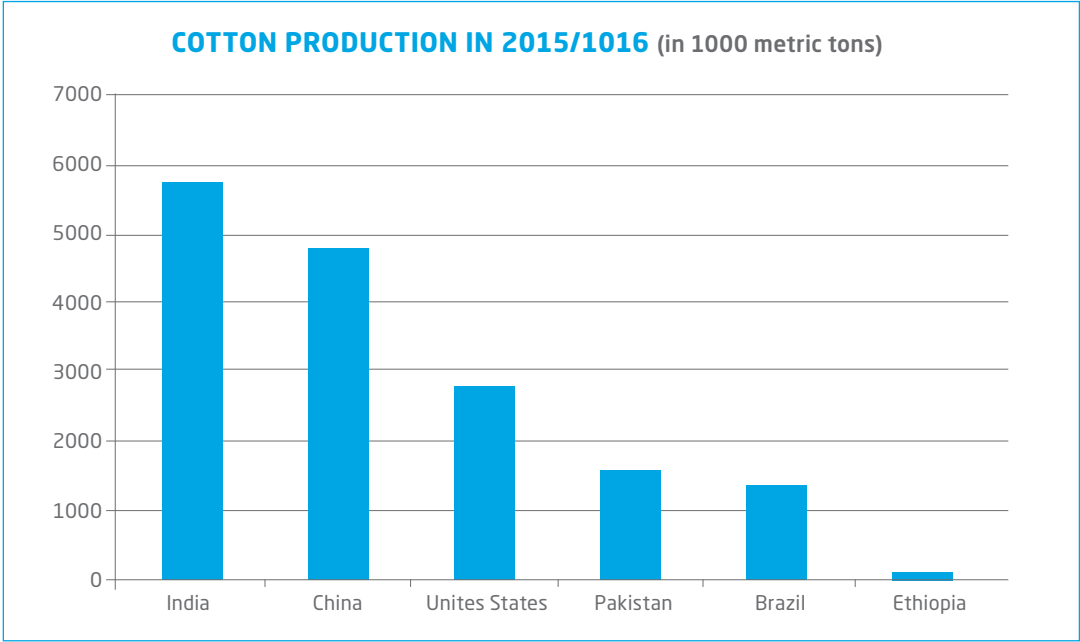
<sup>26</sup>US Department of Agriculture Foreign Agricultural Service, 'Annual Cotton Report: Ethiopia', May 14, 2015 <[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Annual%20Cotton%20Report\\_Addis%20Ababa\\_Ethiopia\\_5-14-2015.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Annual%20Cotton%20Report_Addis%20Ababa_Ethiopia_5-14-2015.pdf)>

<sup>27</sup>United States Department of Agriculture, 'Cotton: World Markets and Trade', January 2017. <<https://apps.fas.usda.gov/psdonline/circulars/cotton.pdf>>

<sup>28</sup>United States Department of Agriculture, 'Cotton: World Markets and Trade', December 2016, <<https://apps.fas.usda.gov/psdonline/circulars/cotton.pdf>>



**Figure 2: Ethiopia compared with main cotton producing countries**



*Based on figures from the United States Department of Agriculture, 'Cotton: World Markets and Trade', December 2016,*

Ethiopia utilises only a small percentage of its cotton-producing potential, which means that Ethiopia must also import cotton to fully meet the demands of its garment and textile industry. It is clear from table 2 that most of the cotton Ethiopia imports comes from the world’s leading cotton producers, such as India, China and the US. Solidaridad notes in an interview that some of these countries, for example India, sell cotton at such a low price that it is hard for local Ethiopian producers to compete.<sup>29</sup> Furthermore, not all of the cotton produced in Ethiopia meets the standards of its garment manufacturers. This is best illustrated by Tchibo’s response to the question about whether textiles and garments that the company sources from Ethiopia are made using Ethiopian cotton. ‘Yes, 40% of the cotton used comes from Ethiopia including ‘Cotton made in Africa’ from the Metema region. All of the other cotton is mainly organic, which has to be imported at present, as our sourcing criteria are presently not met in-country. We hope to find sources for organic cotton in Ethiopia, which meet our criteria for sourcing (e.g., no land grabbing) in order to increase the sourcing of Ethiopian cotton’.<sup>30</sup>

<sup>29</sup>Solidaridad, interview with Ariane Biemond on October 11, 2016.

<sup>30</sup>Tchibo’s response to SOMO questionnaire, October 31, 2016 (email).

**Table 2: Top cotton import destinations for Ethiopia in 2015**

| RANKING | COUNTRY                 | IMPORT VALUE (\$)   |
|---------|-------------------------|---------------------|
| 1       | India                   | 18,561,204          |
| 2       | Nes Areas <sup>31</sup> | 4,059,784           |
| 3       | Pakistan                | 3,144,502           |
| 4       | Turkey                  | 2,634,691           |
| 5       | China                   | 2,253,821           |
| 6       | USA                     | 901,251             |
| 7       | Sudan                   | 825,128             |
| 8       | Turkmenistan            | 283,883             |
| 9       | Austria                 | 82,057              |
| 10      | Indonesia               | 68,727              |
| ...     |                         |                     |
| 23      | Netherlands             | 51                  |
|         | <b>Total</b>            | <b>\$32,928,021</b> |

Source: UN comtrade database. <http://comtrade.un.org/>.

The GAIN report states that the varieties of cotton currently being grown in Ethiopia have been sourced from the United States over twenty years ago. However, it seems that the genetically modified Bt-variety is on the verge of taking over as the most important variety, since farmers are struggling to manage pests such as the cotton boll-worm. The Ethiopian government has recently begun importing the Bt-variety to conduct a field trial.<sup>32</sup> The downside of genetically modified cotton varieties is that farmers cannot save seeds from their harvest to replant in the following season. This means that they are forced to buy new seeds every year, which makes them dependent on seed companies such as Monsanto.<sup>33</sup>

It is unclear to what extent Ethiopia is producing organic cotton. According to the 'Textile Exchange Organic Cotton Market Report' for 2016, Ethiopia's organic cotton production in 2014-15 was 145 metric tons of fibre grown on 880 hectares of land. This is the cotton harvested from an Omo Valley farm owned by Else Addis, a Turkish textile company, who, however, terminated its Ethiopian operations in September of 2016 as a result of a conflict over unpaid bills.<sup>34</sup> A second project described in the Market Report concerns a collaboration between PAN UK and Solidaridad, which supports 2,000 smallholder cotton farmers. Transition to organic cotton production is one of the aims of this project.<sup>35</sup>

<sup>31</sup>Areas not specified elsewhere.

<sup>32</sup>The Ethiopian Herald, 'Ethiopia: Transgenic Cotton Plantation to Meet Demand', September 6, 2016 <<http://allafrica.com/stories/201609060325.html>>.

<sup>33</sup>The Guardian, 'The Guardian view on GM cotton: handle with care', September 4, 2016 <<https://www.theguardian.com/commentis-free/2016/sep/04/the-guardian-view-on-gm-cotton-handle-with-care>>.

<sup>34</sup>The Reporter Ethiopia, 'Turkish Textile Factory Terminates Operations', September 17, 2016 <<http://www.thereporterethiopia.com/content/turkish-textile-factory-terminates-operations>>.

<sup>35</sup>TextileExchange, 'Organic Cotton Market Report 2016', 2016 <<http://textileexchange.org/wp-content/uploads/2016/07/2016-TE-Organic-Cotton-Market-Report.pdf>>.

**Table 3: Top 10 export destinations for Ethiopian cotton in 2015**

| RANKING | COUNTRY      | IMPORT VALUE (\$) |
|---------|--------------|-------------------|
| 1       | Turkey       | 15,006,611        |
| 2       | China        | 3,213,305         |
| 3       | Italy        | 991,328           |
| 4       | Egypt        | 246,222           |
| 5       | Kenya        | 150,478           |
| 6       | Djibouti     | 88,546            |
| 7       | Sudan        | 44,636            |
| 8       | Belgium      | 24,954            |
| 9       | France       | 11,904            |
| 10      | Germany      | 9,683             |
|         | <b>Total</b> | <b>19,787,667</b> |

Source: UN comtrade database. <http://comtrade.un.org/>.

Ethiopian-produced raw cotton exports remain negligible. GAIN noted that 'Ethiopia is not expected to export cotton in the foreseeable future given the burgeoning local demand'.<sup>36</sup> There was also no re-exportation of raw cotton, which indicates that all the imports of unprocessed cotton were used in Ethiopia to be processed further.<sup>37</sup> Yarn is an important product of this value-adding process. The value of yarn exports in 2015 was four times greater than the import value of this product category ('cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not put up for retail sale'): \$14,056,664 versus \$3,510,859.<sup>38</sup>

### Production of yarn

In an investment opportunity profile for a cotton spinning mill, the Ethiopian Investment Agency compared domestic demand for cotton yarn with local supplies. Demand is increasing faster than supplies, although supplies in 2012 were higher in absolute terms, with a total of around 50,000 tons.<sup>39</sup> Figures of cotton yarn exports for 2015 show that although supplies still exceed demand, the surplus is decreasing.

<sup>36</sup>US Department of Agriculture Foreign Agricultural Service, 'Annual Cotton Report: Ethiopia', May 14, 2015 <[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Annual%20Cotton%20Report\\_Addis%20Ababa\\_Ethiopia\\_5-14-2015.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Annual%20Cotton%20Report_Addis%20Ababa_Ethiopia_5-14-2015.pdf)>.

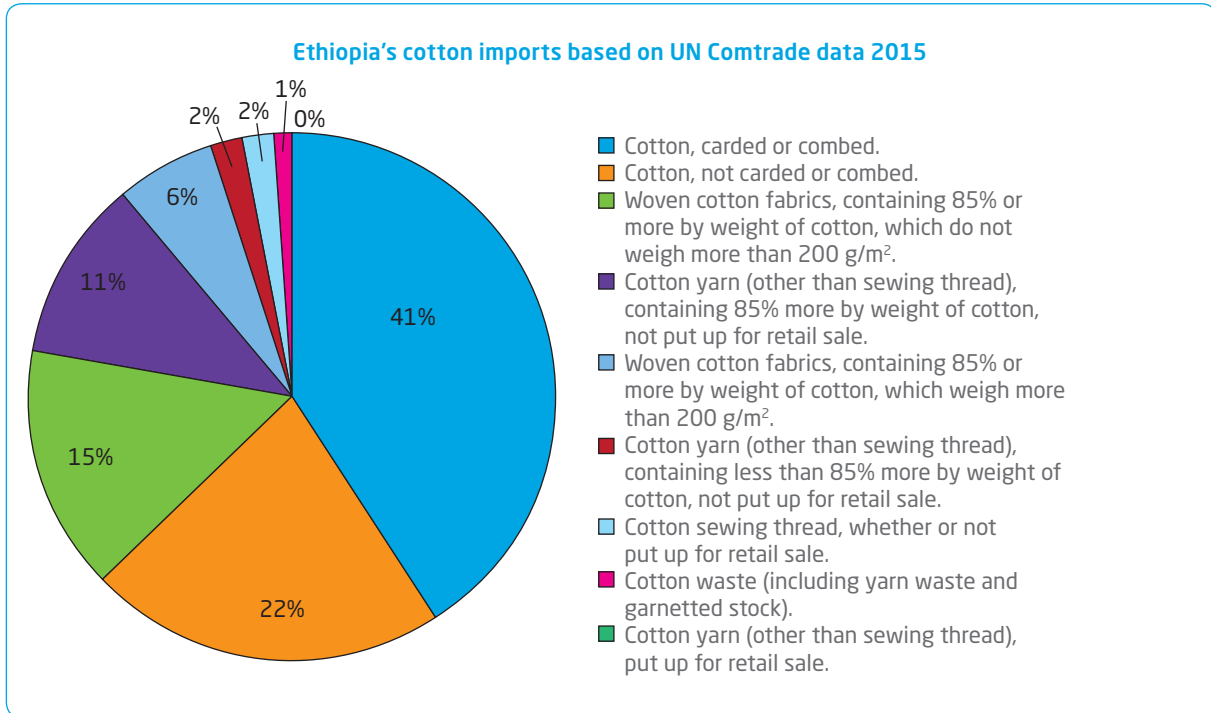
<sup>37</sup>Ibid.

<sup>38</sup>Ibid.

<sup>39</sup>Ethiopian Investment Agency, 'Investment Opportunity Profile for Cotton Spinning Mill in Ethiopia', April 2014 <[http://www.investethiopia.gov.et/images/pdf/EIA-OSS\\_Cotton\\_Spinning\\_Mill%20\\_Investment\\_Opportunity\\_Profile.pdf](http://www.investethiopia.gov.et/images/pdf/EIA-OSS_Cotton_Spinning_Mill%20_Investment_Opportunity_Profile.pdf)>, p. 12.

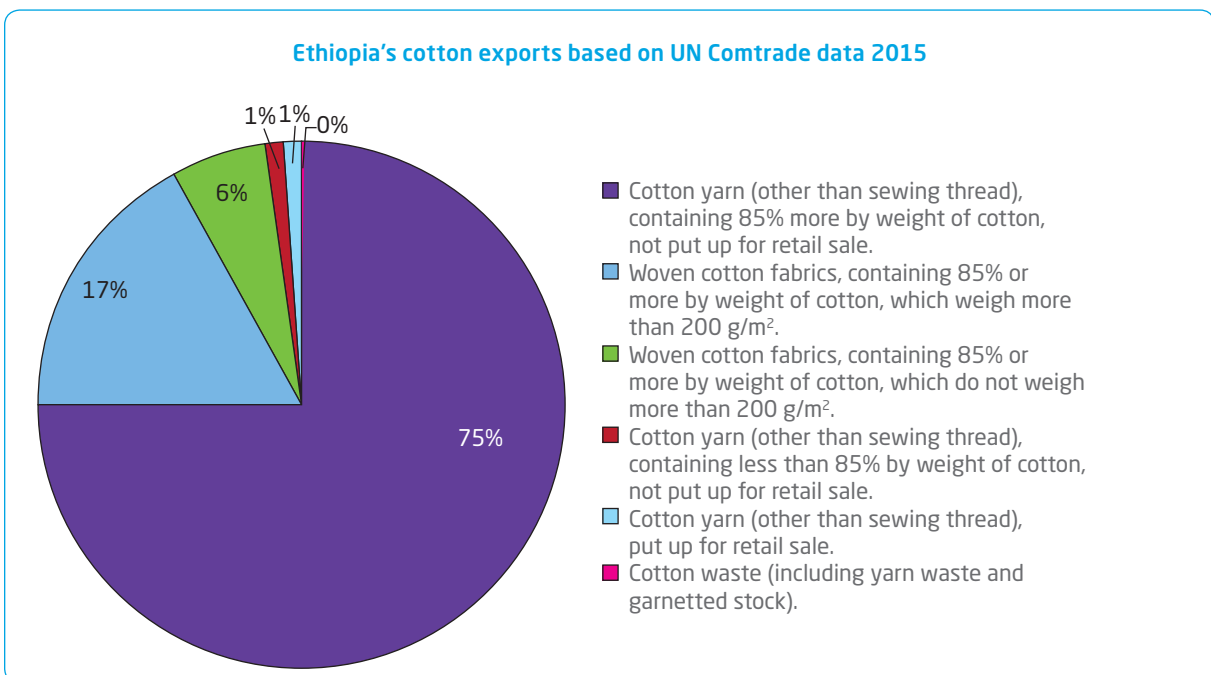
## FIGURES FOR COTTON, YARN AND FABRICS

**Figure 3:** cotton - which includes raw cotton, yarn and woven fabrics - imports



In 2015, Ethiopia imported cotton products for a value of \$32,928,021.<sup>40</sup> The country's cotton exports were valued at \$19,787,667.<sup>41</sup>

**Figure 4:** cotton - which includes raw cotton, yarn and woven fabrics - exports



<sup>40</sup>UN Comtrade Database, <<http://comtrade.un.org/data/>>.

<sup>41</sup>Ibid.

Meanwhile, Ethiopia’s cotton imports consisted mainly of ‘cotton, not carded or combed’ (raw cotton, which is 41% of total cotton import value), ‘cotton, carded or combed’ (22%) and ‘woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/m<sup>2</sup>’ (15%).<sup>42</sup> Thus, (raw) cotton remains an important import product for Ethiopia.

A single category comprised 75% of the total value of Ethiopia’s cotton exports: ‘cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not put up for retail sale’.<sup>43</sup>

**3.2. EXPORT OF GARMENTS AND TEXTILE PRODUCTS**

Garment production of finished products ranges from underwear to shirts to pants and jackets for men, women and children. Currently, buyers in Ethiopia such as H&M source mainly ‘large volume items’ such as basic T-shirts.<sup>44</sup> Household textiles are also among the end products of Ethiopia’s textile industry. This section provides basic information on the destinations of Ethiopian, apparel and household linen and the importance of the textile and garment industry to the Ethiopian economy.

Tables 4 and 5 present information about Ethiopian exports of different garment product groups: knitted or crocheted apparel and accessories (Harmonized System code 61, table 4) and apparel and accessories not knitted or crocheted (harmonized system code 62, table 5).

While the Netherlands is an important trading partner of Ethiopia<sup>45</sup>, The Netherlands is nowhere near the top ten in either of these categories, while Germany appears as the number one destination for over 70% of exported Ethiopian garments.

**Table 4:** Top 10 export destinations for Ethiopian apparel and accessories, knitted or crocheted (HS 61) in 2015

| RANKING | COUNTRY            | IMPORT VALUE (\$) |
|---------|--------------------|-------------------|
| 1       | Germany            | 31,328,359        |
| 2       | USA                | 6,307,429         |
| 3       | Sudan              | 2,689,313         |
| 4       | UK                 | 1,860,226         |
| 5       | Italy              | 1,173,296         |
| 6       | Spain              | 252,601           |
| 7       | South Korea        | 76,788            |
| 8       | Poland             | 71,253            |
| 9       | France             | 43,875            |
| 10      | Canada             | 33,656            |
| ...     |                    |                   |
| 43      | <b>Netherlands</b> | 248               |
|         | <b>Total</b>       | <b>43,999,571</b> |

Source: UN comtrade database. <http://comtrade.un.org/>.

<sup>42</sup>Ibid.

<sup>43</sup>Ibid.

<sup>44</sup>McKinsey & Company, ‘East Africa: The next hub for apparel sourcing?’, August 2015 <<http://www.mckinsey.com/industries/retail/our-insights/east-africa-the-next-hub-for-apparel-sourcing>>.

<sup>45</sup>The Netherlands ranks third as destination for Ethiopian exports with over 10% of total Ethiopian exports destined for the Netherlands. Ethiopia exports for a total value of over \$500 million to the Netherlands of which over 90% consists of cut flowers. Source: United Nations, UN Comtrade database. <http://comtrade.un.org/>.

**Table 5: Top 10 export destinations for Ethiopian apparel and accessories, not knitted or crocheted (HS 62)<sup>46</sup>**

| RANKING | COUNTRY            | IMPORT VALUE (\$) |
|---------|--------------------|-------------------|
| 1       | Germany            | 23,444,876        |
| 2       | USA                | 2,711,133         |
| 3       | Italy              | 637,996           |
| 4       | France             | 631,993           |
| 5       | South Korea        | 568,858           |
| 6       | Norway             | 518,169           |
| 7       | Spain              | 188,640           |
| 8       | Australia          | 126,793           |
| 9       | UK                 | 98,214            |
| 10      | Israel             | 50,802            |
| ...     |                    |                   |
| 20      | <b>Netherlands</b> | 9,179             |
|         | <b>Total</b>       | <b>29,253,808</b> |

Source: UN Comtrade database. <http://comtrade.un.org/>.

The Netherlands appears to be a very small player in both of these export categories. If we also take into account the fact that total garment imports to the Netherlands were valued at over \$10 billion dollars in 2015<sup>47</sup>, it is apparent that Ethiopian garment industry imports are a negligible aspect of the Dutch-Ethiopian trade relationship. The same is true for household linen (Harmonized System code 6302). Table 6 shows that the Netherlands ranked 29th among Ethiopia's household linen export partners, with exports totalling a mere \$238, an insignificant figure both in light of the \$2 million worth of household linen that Ethiopia exported and the \$462 million of household linen that the Netherlands imported in 2015.

**Table 6: Top 10 export destinations for Ethiopian household linen in 2015<sup>48</sup>**

| RANKING | COUNTRY            | IMPORT VALUE (\$) |
|---------|--------------------|-------------------|
| 1       | Germany            | 2,028,576         |
| 2       | Italy              | 247,844           |
| 3       | Burkina Faso       | 29,494            |
| 4       | USA                | 15,267            |
| 5       | Côte d'Ivoire      | 7,499             |
| 6       | Djibouti           | 7,314             |
| 7       | Israel             | 5,620             |
| 8       | France             | 5,612             |
| 9       | Cameroon           | 2,790             |
| 10      | Rwanda             | 2,604             |
| ...     |                    |                   |
| 29      | <b>Netherlands</b> | <b>238</b>        |
|         | <b>Total</b>       | <b>2,369,567</b>  |

Source: UN comtrade database. <http://comtrade.un.org/>

<sup>46</sup>UN Comtrade Database, <<http://comtrade.un.org/data/>>.

<sup>47</sup>Ibid.

<sup>48</sup>Ibid.

### 3.3. ETHIOPIAN YARN, TEXTILE AND GARMENT PRODUCERS

In the initial literature review SOMO made an inventory of manufacturers that are producing for the export market as well as, where possible, the connections of these manufacturers to specific brands and retailers. SOMO made contact with the brands and retailers to verify the information, but did not always receive an answer. More transparency of retailers and brands, field research and further engagement with the manufacturers is needed to fill in the gaps in the table below. Time and money restraints prevented such strategies to be utilized for this report. Find an overview of the information from public available sources such as companies' websites and supplier lists in table 7.

**Table 7: Overview of manufacturers in Ethiopia**

| MANUFACTURER NAME & ADDRESS  | TYPE   | PRODUCTS   | OWNERSHIP (HOME COUNTRY)         | BUYERS  | BUYERS OF THE MANUFACTURER IN GENERAL (Unsure if their brand is produced in Eth.)  | WORKFORCE            |
|--|--|--|----------------------------------|---|--|----------------------|
| Almeda textile Plc <sup>49</sup><br>Addis Ababa,<br>Ethiopia<br>PO BOX 13383 | Vertically integrated (spinning, weaving, knitting, CMT) | Shirts, polos, trousers, T-shirts, underwear, military items, singlets, work wear, bed sheets.                                 | Owned by EFFORT Group (Ethiopia) | H&M, KIK (Germany), Superior Group (buying house), Siggii (Italy), Key Apparel (US), Edwards (US), QC Supply (US) <sup>50</sup> |  | 5000                 |
| Arvind Lifestyle Apparel<br><br>Bole-Lemi Industrial Zone,<br>Addis Ababa    |  | Garments   | (India)                          | H&M <sup>51</sup>   | Tommy Hilfiger, Quiksilver, Brooks Brothers, Silver Jeans, Calvin Klein, FCUK, Pull & Bear, Jack & Jones, Energie, Esprit, S. Oliver, Mexx, Siseley, Benneton, Coin, The Children's Place, Ed Hardy, IZOD, Hanes, Aéropostale, GANT, Geoffrey Beene, WonderBra, Arrow <sup>52,53</sup> |                      |
| Ayka Addis<br><br>Bole Kefle Ketema Kebele 03, Bole Road, Addis Ababa        | Vertically integrated (spinning, knitting, dyeing, CMT)  | Shirts, tops, pants, shorts, jackets, homewear, sweatshirts, pyjamas, dresses, leggings, skirts, nightdresses, underwear, etc. | (Turkey)                         | Tchibo (Germany) <sup>54</sup>  |  | 10,000 <sup>55</sup> |

<sup>49</sup>Almeda Textile plc. website, no date <<http://almedatextiles.com/index.html>>.

<sup>50</sup>Almeda Textile plc. presentation, no date <[http://www.german-tech.org/Download/MEK\\_Ethiopia\\_Presentation\\_Almeda\\_10.10.14.pdf](http://www.german-tech.org/Download/MEK_Ethiopia_Presentation_Almeda_10.10.14.pdf)> (Accessed on October 7, 2016).

<sup>51</sup>H&M, 'Our supplier factory list', no date <<http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>> (Accessed on September 23, 2016).

<sup>52</sup>Arvind, 'Garment Exports', no date <<http://arvind.com/division/garmentexports.htm>> (Accessed on October 7, 2016).

<sup>53</sup>Arvind Lifestyle Brands Limited, 'Brands', no date <<http://arvindbrands.com/brands>> (Accessed on October 7, 2016).

<sup>54</sup>Ayka Addis Textile / Addis Ababa Ethiopia', April 3, 2014. Youtube video, <<https://www.youtube.com/watch?v=w32APeA9vsM>>.

<sup>55</sup>Ayka Addis Textile & Investment Group, 'Addis Ayka', no date <<http://www.aykatextile.com/adisayka.htm>> .

| MANUFACTURER NAME & ADDRESS  | TYPE  | PRODUCTS   | OWNERSHIP (HOME COUNTRY)   | BUYERS  | BUYERS OF THE MANUFACTURER IN GENERAL (Unsure if their brand is produced in Eth.) | WORKFORCE         |
|--|---|--|----------------------------|---|---|-------------------|
| Beconnected Industrial<br><br>Shed No. 3, Eastern Industry Zone<br>Dukem City, Oromia Region, Ethiopia |   | Printing & labeling  | (Belgian-Dutch)            | Disney <sup>56</sup>  | H&M, Zara   | 400 <sup>57</sup> |
| C&H Garments PLC<br><br>Bole-Lemi Industrial Zone, Addis Ababa   |   |  | (China) <sup>58</sup>      |   |   | 300 <sup>59</sup> |
| Concept International Ethiopia plc. <sup>60</sup><br><br>Addis Industry Zone, Addis Ababa              | Vertically integrated (spinning, weaving & CMT) | Woven and knitted garments (T-shirts, jackets), bags   |                            | H&M <sup>61</sup>   |   | 300 <sup>62</sup> |
| Desta PLC<br><br>Bole subcity Kebele 11 House no. 0440, Addis Ababa                                    |   | Knitted garments, embroidery, accessory cords (for shoe laces, shorts, sport trousers, sport bag draw cords) | Family business (Ethiopia) | NBA, Navigare, Martin's Superior Uniform group, lupilu, Marina Kaneva, Cartoon Network (Ben 10 Alien force), CVS, Miss K London Unlimited <sup>63</sup> |   |                   |

<sup>56</sup>Elsevier, 'Kleren komen uit Ethiopie'. 25 april 2015. <<http://www.agroberichtenbuitenland.nl/ethiopie/wp-content/uploads/sites/6/2015/05/ESM-20150425-01068002.pdf>>.

<sup>57</sup>Addis Fortune, 'Ethiopia: Be Connected Industrial Inaugurated Two Garment Factories at \$2.5 Million', June 22, 2015 <<http://allafrica.com/stories/201506251494.html>>.

<sup>58</sup>BBC, 'C&H Garments - a Chinese factory in Ethiopia', no date <http://www.bbc.co.uk/programmes/p03jn4gg/p03jn1nw>.

<sup>59</sup>Afreximbank, 'Afreximbank team tours C&H Garments' Addis Ababa's factory', June 24, 2016. <<https://afreximbank.com/afreximbank-team-tours-ch-garments-addis-ababas-factory/>>.

<sup>60</sup>Concept International Ethiopia, 'home' <<http://contactricg.wixsite.com/concept>>.

<sup>61</sup>H&M, 'Our supplier factory list', no date <<http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>> (Accessed on 17 March 2017)

<sup>62</sup>Concept International Ethiopia, 'Company Profile', no date <[https://drive.google.com/file/d/0B4Cs\\_TY33slrSHp6UVZibkxzdsg/edit](https://drive.google.com/file/d/0B4Cs_TY33slrSHp6UVZibkxzdsg/edit)>.

<sup>63</sup>Desta Garment, 'About', no date <[http://www.desta-garment.com/index.php?option=com\\_content&view=category&layout=blog&id=7&Itemid=16](http://www.desta-garment.com/index.php?option=com_content&view=category&layout=blog&id=7&Itemid=16)>.



| MANUFACTURER NAME & ADDRESS   | TYPE  | PRODUCTS   | OWNERSHIP (HOME COUNTRY) | BUYERS   | BUYERS OF THE MANUFACTURER IN GENERAL (Unsure if their brand is produced in Eth.)  | WORKFORCE           |
|---|---|--|--------------------------|--|--|---------------------|
| ELTEX Textile and Garment<br><br>Akaki Kality, Debrezeit  | Knitting, Dyeing, Fabric processing, Stitching, Garment finishing | Knitted and dyed fabrics, knitted T-shirts and shorts                                | (Ethiopia)               | Studio Ray, Umbro, Gerrys, Weather Proof, Miss K London Limited, <sup>64</sup> CANTORP (China), Du La Mi Suo, Stanley (CA) <sup>65</sup> |  |                     |
| ETUR Textile<br><br>Bole subcity, Kebele Addis Ababa  | Vertically integrated (spinning, weaving and CMT)                 | T-shirts, sweat-pants, tights, pyjamas, polo shirts, hoodies, wet mops <sup>66</sup> | (Turkey)                 |  |  | > 800 <sup>67</sup> |
| Haama   |   |  | (Israel)                 |  | C&A, Marks & Spencer, Levi Strauss <sup>68</sup>   |                     |
| Hirdaramani Garment PLC Factory<br><br>Southern Nations, Nationalities, and Peoples' Region, Awassa |   | Knitted and woven apparels   | (Sri Lanka)              | H&M <sup>69</sup>  | PVH, Inditex, Calvin Klein, UNIQLO, adidas, Hugo Boss, J. Crew, Pepe Jeans, Patagonia, Michael Kors, asics, Reebok, The Children's Place, George, Eddie Bauer, Columbia, F&F, PrAna, Lucky Brand, SanMar, PINK, Victoria's Secret, True Religion, Club Monaco, TU, Lilly Pulitzer, OshKosh, Cotton On, Napapijri <sup>70</sup> |                     |

<sup>64</sup>ELTEX Textile and Garment, 'About: Profile', no date, <http://eltexgarment.com/about/profile/>.

<sup>65</sup>ELTEX Textile and Garment, 'All Products', no date <<http://eltexgarment.com/all-products/>>.

<sup>66</sup>ETUR Textile, 'Products', no date, <<http://eturtextile.com/index.php/features>>.

<sup>67</sup>Fibre2Fashion, 'Ethiopian textile firm to export products to Europe & US', January 21, 2015 <[http://www.fibre2fashion.com/news/textile-news/newsdetails.aspx?news\\_id=170152](http://www.fibre2fashion.com/news/textile-news/newsdetails.aspx?news_id=170152)>.

<sup>68</sup>Just-Style, 'Ethiopia textile and apparel investments accelerate', October 28, 2015 <[http://www.just-style.com/analysis/ethiopia-textile-and-apparel-investments-accelerate\\_id126505.aspx](http://www.just-style.com/analysis/ethiopia-textile-and-apparel-investments-accelerate_id126505.aspx)>.

<sup>69</sup>H&M, 'Our supplier factory list', no date <<http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>> (Accessed on 17 March 2017)

<sup>70</sup>Hirdaramani, 'Brands', no date <<http://www.hirdaramani.com/apparel/brands.php>>.

| MANUFACTURER NAME & ADDRESS                                  | TYPE  | PRODUCTS  | OWNERSHIP (HOME COUNTRY)                                 | BUYERS   | BUYERS OF THE MANUFACTURER IN GENERAL (Unsure if their brand is produced)   | WORKFORCE          |
|--|---|---|--|--|---|--------------------|
| Jay Jay Textiles<br><br>Bole Lemi Industry Zone, Addis Ababa |   |   |  | H&M <sup>71</sup>  |   |                    |
| MAA Garment And Textiles<br><br>Mekelle Quiha, Mekele        | Vertically integrated (cotton production (MAA Cotton Farm, spinning) (MAA Textile, CMT (MAA Garment)) | Knitted and woven products (T-shirts, trousers, blouses, underwear, jackets, home textiles) | Kebire Enterprise group (Ethiopia)                       | H&M <sup>72</sup> , Edwards (US), Walmart (US), Obermeyer (DE), MOC (US), DVH Apparel (China), Bonghwa (US) <sup>73</sup> , Tesco PLC, Asda Stores Ltd <sup>74</sup> |   | 1600 <sup>74</sup> |
| MNS Manufacturing PLC  | Vertically integrated (spinning, weaving, CMT)  | Terry towels, Hotel Snow towels and bath robes, sofa beds, pillows, comforters, mattresses  | owned 5% by General Manager Mr. Mahmud Nursacan (Turkey) | Major customers come from Germany, Norway, Netherlands, Austria/, Turkey, Israel, Saudi Arabia and Africa. <sup>75</sup>   |   |                    |
| MUST Garment<br><br>Hawassa Industrial Park (HIP)            |   | Pants, blouses, shorts, jackets   | (Hong Kong)  |  | Abercrombie & Fitch, American Eagle, Brandtex, C&A, Columbia, Federated, JCPenney, Kohl's, Macy's, Prenatal, Primark, Ralph Lauren, SEARS, Target, Tommy Hilfiger, Orsay, Benneton, Charles Vögele, Walmart <sup>77</sup> |                    |

<sup>71</sup>H&M, 'Our supplier factory list', no date <<http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>> (Accessed on 17 March 2017)

<sup>72</sup>H&M, 'Our supplier factory list', no date <<http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>>.

<sup>73</sup>MAA Garment and Textile website, 'Partners and Customers', March 2012 <[http://www.maatextiles.com/index.php?option=com\\_content&view=article&id=243&Itemid=330](http://www.maatextiles.com/index.php?option=com_content&view=article&id=243&Itemid=330)>.

<sup>74</sup>Wall Street Journal, 'Search for Ever Cheaper Garment Factories Leads to Africa', July 12, 2015 <<http://www.wsj.com/articles/search-for-ever-cheaper-garment-factories-leads-to-africa-1436347982>>.

<sup>75</sup>Ibid.

<sup>76</sup>MNS Manufacturing PLC, 'Products', no date <<http://www.fibre2fashion.com/mnsmanufacturingplc/products.asp>>.

<sup>77</sup>MUST Garment, 'Our clients', no date <<http://mustgarment.com/client.htm>>.

| MANUFACTURER NAME & ADDRESS   | TYPE   | PRODUCTS   | OWNERSHIP (HOME COUNTRY)  | BUYERS            | BUYERS OF THE MANUFACTURER IN GENERAL (Unsure if their brand is produced)  | WORKFORCE          |
|---|--|--|---|-------------------|--|--------------------|
| Nazareth Garment Share Company <sup>78</sup><br><br>Woreda 3 Kebele 14, P.O.Box 418, Nazareth                   | CMT  | nested suits, formal and casual jackets, blazers, formal trousers, work wear                           | Joint venture Owned 50-50 by co. Bagir Group Ltd (UK), and Ethiopian family, formerly government owned (Ethiopia) | H&M <sup>79</sup> |  | 500                |
| New Wide Garment<br><br>Hawassa Industrial Park (currently under development)                                   |  | Garments   | (Taiwan)  | PVH               | Tommy Hilfiger, Calvin Klein, Van Heusen, IZOD, Arrow, Speedo, Warner's, Olga <sup>80</sup>                              |                    |
| Shints ETP Garment P.L.C.<br><br>Bole Lemi Industrial Zone, Addis Ababa   |  | Workwear (safety wear, uniforms), outerwear (motor garments, snow garments, waterproof garments, etc.) | (South Korea)   |                   | Jack Wolfskin, Schoffel, La Sportiva, Salewa, GRIFONE, Trangoworld, KTM, Alpinestar, Dainese, REV'IT, Geox <sup>81</sup> | 4800 <sup>82</sup> |
| Tal Apparel<br><br>Hawassa Industrial Park (HIP)  |  | Shirts and blouses, pants, knits, suits, outerwear   | (Hong Kong)   |                   | Burberry, J. Crew, Nordstrom, Patagonia, PVH <sup>83</sup>   |                    |
| Vestis Garment Production PLC<br><br>Bole Industrial Park, Addis Ababa  |  |  |   | H&M <sup>84</sup> |  |                    |
| Yirgalem Addis Textile Factory PLC <sup>85</sup><br><br>Debrezeit Road Nifas Silk Lafto, Addis Ababa 20346/1000 | spinning, Knitting, Weaving, Dyeing and Garment and Blanket production | Fabrics knit and woven garments blankets   |   |                   |  |                    |

<sup>78</sup>Nazareth Garment Share Company website, <<http://nazarethgarment.com/index.html>>.

<sup>79</sup>H&M, 'Our supplier factory list', no date <<http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>> (Accessed on 17 March 2017)

<sup>80</sup>PVH website, <<http://www.pvh.com/>>.

<sup>81</sup>Shin TS website, 'Welcome to Shin Textiel Solutions', no date <<http://shints.com/company-intro.html>>.

<sup>82</sup>Shin TS website, 'main factory', no date <<http://www.shints.com/ethiopia-factory.html>>.

<sup>83</sup>TAL Apparel, 'Our partners', no date <<http://talapparel.com/en/our-story/our-partners>>.

<sup>84</sup>H&M, 'Our supplier factory list', no date <<http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>> (Accessed on 17 March 2017)

<sup>85</sup>Yirgalem Addis Textile Factory PLC website, <<http://www.yatplc.com/>>.

## 4. BRANDS AND RETAILERS SOURCING FROM ETHIOPIA

Through desk research an initial sample was made of manufacturers producing in Ethiopia and brands that were sourcing in Ethiopia. SOMO sent a questionnaire to the identified international brands to confirm their sourcing relations. This information can be found in table 8. In addition, the FNV sent a questionnaire to the Dutch trade associations who did not answer themselves but referred to the Sustainable Garment and Textile Sector agreement between companies, CSOs and the Dutch government. The Sector agreement was unable to provide relevant information in time to be included in this report.

It is difficult for locally owned factories to establish a relationship with international brands, especially for the spinning and dyeing companies, which are reportedly not up to industry standards. The Dutch embassy and Solidaridad<sup>86</sup> have both mentioned in interviews that local producers are being trained to be able to better handle international buyers and their demands. H&M is a brand that is currently working with two locally owned factories, while other brands are mainly working with international manufacturers. In an email, H&M mentioned that: 'the challenges we see to a sustainable continued development of the garment industry in Ethiopia concerns the need for better functioning logistics, increased skills development. Structurally better access to trade and financing mechanism are needed, as well as the back linkage (development of the upstream supply chain, from cotton to garment)'.<sup>87</sup>

PVH, which owns brands such as Tommy Hilfiger and Calvin Klein, has plans to start sourcing from Ethiopia. PVH is investing in the development of Hawassa Industrial Park (see Box 1 for more information).

### Box 1: Hawassa Industrial Park

In July 2016, the Ethiopian Industrial Parks Development Corporation's flagship project, Hawassa Industrial Park, a public-private collaboration between suppliers, the Ethiopian government and donor groups, opened near the small town of Hawassa in southern Ethiopia<sup>88</sup>. The park, designed and built by the China Civil Engineering Construction Corporation cost \$250 million and is comprised of 37 factory buildings on 300,000 m<sup>2</sup> dedicated to the textile and apparel sector<sup>89</sup>. Media coverage has mentioned that the park has thus far attracted 15 foreign and 6 local textile and apparel manufacturers including Vanity Fair and H&M<sup>90</sup>. Furthermore, Phillips-Van Heusen (PVH) Corporation (US), Wuxi Jinmao Foreign Trade Company (China), Hirdaramani Group (Sri Lanka), Arvind Ltd and Raymond group (India), TAL and EPIC (Hong Kong), and PTU (Indonesia) have leased facilities<sup>91</sup>.

<sup>86</sup>Solidaridad, interview with Ariane Biemond on October 11, 2016; Dutch Embassy, interview with Jonathan Dul, October 14, 2016.

<sup>87</sup>H&M, H&M response to the SOMO questionnaire, December 22, 2016 (email).

<sup>88</sup>Ethiopian News Agency, 'Hawassa industrial park inaugurated', July 13, 2016 <<http://www.ena.gov.et/en/index.php/economy/item/1642-hawassa-industrial-park-inaugurated>>.

<sup>89</sup>SABC, 'Ethiopia opens new industrial park', July 17, 2016 <<http://www.sabc.co.za/news/a/45762d004d860e51b404fe6e73dd0db0/Ethiopia-opens-new-industrial-park-20160717>>.

<sup>90</sup>The Reporter Ethiopia, "'Hawassa Industrial Park to House 21 Foreign, Domestic Investors', July 9, 2016 <<http://www.thereporterethiopia.com/content/hawassa-industrial-park-house-21-foreign-domestic-investors>> ; SABC, 'Ethiopia opens new industrial park', July 17, 2016 <<http://www.sabc.co.za/news/a/45762d004d860e51b404fe6e73dd0db0/Ethiopia-opens-new-industrial-park-20160717>>.

<sup>91</sup>The Reporter Ethiopia, 'Hawassa Industrial Park to House 21 Foreign, Domestic Investors, July 9, 2016 <<http://www.thereporterethiopia.com/content/hawassa-industrial-park-house-21-foreign-domestic-investors>>.

When the park is fully operational, it is expected to employ 60,000 workers and create circa \$1 billion dollars in export revenues for Ethiopia<sup>92</sup>. To this extent, an agreement was signed on July 25, 2016 between the UK's Department for International Development, the Trade and Industry Bureau of Southern Nations, Nationalities and Peoples Regional State, the Ethiopian Textile Industry Development Institute, and the Tenants' Association representing the manufacturers at the park, to start with the recruiting and training of 30,000 textile and garment industry workers for employment at Hawassa Industrial Park<sup>93</sup>. The park will serve as a model for new industrial parks in Adama, Dire Dawa, Mekele and Kombolcha to be built over the next five years<sup>94</sup>.

On the suppliers' side, PVH was especially closely involved in the process of establishing Hawassa industrial Park. Other than producing there, PVH also plans to use this location as the hub for an Ethiopian clothing-sourcing network they intend to set up, which will involve trading with established local manufacturers<sup>95</sup>.

**Table 8: brands responses to the questionnaire sent by SOMO on sourcing in Ethiopia**

### H&M

H&M<sup>96</sup> stated that: *H&M is an expansive company and we always look for new potential sourcing markets. This does not mean we will stop buying from existing production markets; our presence in our production markets is long-term. Ethiopia is a growing and developing country, where we see large potential to contribute to job creation and unemployment alleviation through our business. Due to quality challenges, H&M has since 2014 not been able to use Ethiopian cotton, but our long-term aim is to engage in the development of a sustainable cotton industry in Ethiopia, taking into account both social and environmental issues associated with cotton. Starting 2017, we will initiate a sustainable cotton project, aiming to increase traceability and introduce better economic, social and environmental practices to selected Ethiopian cotton farmers. The long-term aim is to gradually introduce Ethiopian cotton in our products.*

The challenges that they identified with regard to textile and clothing production in Ethiopia: *Logistics, back-linkage in the supply chain, skills development of workers and management and finance are the key areas of improvement identified to develop the market along with our core sustainability work.*

**Source:** H&M Supplier List

### JCPenney

No Reply

The questionnaire was sent to this company as through public sources indications were found that the company is (considering) sourcing from Ethiopia.

**Source:** FashionUnited, 'Will Ethiopia be the new Bangladesh?', July 14, 2015 <https://fashionunited.uk/news/fashion/will-ethiopia-be-the-new-bangladesh/2015071417045>

<sup>92</sup>Ethiopian News Agency, 'Hawassa Industrial Park to go operation next week', July 7, 2016 <<http://www.ena.gov.et/en/index.php/economy/item/1608-hawassa-industrial-park-to-go-operation-next-week>> ; Fibre2Fashion, '30k workforce to be trained for Hawassa Industrial Park', July 25, 2016.<<http://www.fibre2fashion.com/news/apparel-news/30k-workforce-to-be-trained-for-hawassa-industrial-park-190783-newsdetails.htm>>.

<sup>93</sup>Fibre2Fashion, '30k workforce to be trained for Hawassa Industrial Park', July 25, 2016 <<http://www.fibre2fashion.com/news/apparel-news/30k-workforce-to-be-trained-for-hawassa-industrial-park-190783-newsdetails.htm>>.

<sup>94</sup>Ibid.

<sup>95</sup>PVH, 'Moving the Needle in Ethiopia', no date <<https://www.pvh.com/responsibility/our-approach/Moving%20the%20Needle%20in%20Ethiopia>>.

<sup>96</sup>H&M, H&M response to SOMO questionnaire, December 22, 2016 (email).

<sup>97</sup>Levi Strauss, response to SOMO questionnaire, October 20, 2016 (email).

### Kik (Germany)

No reply

The questionnaire was sent to this company as through public sources indications were found that the company is (considering) sourcing from Ethiopia.

**Source:** FashionUnited, 'Will Ethiopia be the new Bangladesh?', July 14, 2015 <https://fashionunited.uk/news/fashion/will-ethiopia-be-the-new-bangladesh/2015071417045>

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### Levi Strauss

Levi Strauss is not sourcing from Ethiopia and noted: *Earlier this year, we looked at East Africa generally (Tanzania specifically), but decided that right now our sourcing priority, if we were to expand into new countries or suppliers, is to focus on those that provide agility and speed to market. East Africa's geography and infrastructure doesn't meet that objective.*<sup>97</sup>

**Source:** FashionUnited, 'Will Ethiopia be the new Bangladesh?', July 14, 2015 <<https://fashionunited.uk/news/fashion/will-ethiopia-be-the-new-bangladesh/2015071417045>>.

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### Phillips-Van Heusen

(PVH owns Calvin Klein, Tommy Hilfiger, Van Heusen, IZOD, ARROW, Speedo, Warner's and Olga)

No Reply

**Source:** PVH, 'Moving the Needle in Ethiopia', no date <<https://www.pvh.com/responsibility/our-approach/Moving%20the%20Needle%20in%20Ethiopia>>.

**Remark:** *PVH convened a private-public collaboration with suppliers, the Ethiopian government and donor groups to establish an industrial park in Hawassa (see box 1)*

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### Primark

In a first answer Primark replied: we aren't sourcing in Ethiopia at the moment<sup>98</sup> which was confirmed in a short interview<sup>99</sup>. In 2015 Primark visited Ethiopia to assess possibilities to produce in Ethiopia and talk to stakeholders including factory management, workers, trade unions and CSOs.

**Source:** Primark, 'Primark and the UK's Department for International Development join forces to improve the wellbeing of garment workers in developing markets', January 6, 2016 <<https://www.primark.com/en-ie/our-ethics/news/press-releases/improve-wellbeing-of-garment-workers>>.

<sup>98</sup>Primark, response to SOMO questionnaire, October, 20, 2016 (email).

<sup>99</sup>Primark, interview with Libby Annat, December 20, 2016.

## Tchibo

To the questionnaire Tchibo replied that indeed they are sourcing from Ethiopia. Reasons for choosing Ethiopia as a sourcing destination:

- 1) Approached by long-term supplier Ayka<sup>100</sup> Textile as they planned to invest in a modern garment factory in Ethiopia
- 2) Opportunity for Tchibo to commit to a transparent, sustainable, short product chain creating decent jobs in Ethiopia
- 3) Matches our company DNA, as we also sell coffee from Ethiopia.

They furthermore indicated that they work with only one supplier "Ayka Textile" which they said is Turkish owned and completely vertically integrated. In terms of products Tchibo is sourcing knitwear garments and household textiles from Ethiopia. Regarding cotton use Tchibo indicated that: *Yes, 40% of the cotton used comes from Ethiopia including 'Cotton made in Africa' from the Metema region. All other cotton is mainly organic which has to be imported at present, as our sourcing criteria are presently not met in-country. We hope to find sources for organic cotton in Ethiopia which meet our criteria for sourcing (e.g. no landgrabbing) in order to increase the sourcing of Ethiopian cotton.*

To the Question: What are the challenges regarding sourcing from Ethiopia? Tchibo replied:

- *Infrastructure: no ports, no good transportation yet*
- *Material and resource delivery including cotton, energy and coal needs to be optimised*
- *Not enough local management capacities, no professional HR management*
- *A large workforce, but technical skills and knowledge on rights need to be developed*
- *High labour turnover and absenteeism despite comparatively high wages and good benefit structures*
- *Limited organising skills on union side (but positive: dialogue-oriented union representatives)*
- *Many workers not interested in organising collectively but demanding on an individual basis*
- *No public health care or public transportation (factory clinic and transportation for workers)*
- *Installing effective systems to prevent discrimination and sexual harassment at the work place<sup>101</sup>*

**Source:** Ayka Addis Textile / Addis Ababa Ethiopia', April 3, 2014. Youtube video, <<https://www.youtube.com/watch?v=w32APeA9vsM>>.

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## Schöffel

No Reply

The questionnaire was sent to this company as through public sources indications were found that the company is (considering) sourcing from Ethiopia.

**Source:** Fair Wear Foundation, 'Schöffel Sportbekleidung GmbH', no date <<http://www.fairwear.org/member/schffel-sportbekleidung-gmbh/>>.

<sup>100</sup>Tchibo mentions that they have only one supplier in Ethiopia. They were already buying from Ayka in Turkey before they expanded into Ethiopia. It is unclear how much of Tchibo's production comes from Turkey and how much from Ethiopia.

<sup>101</sup>Tchibo, response to SOMO questionnaire, October 31, 2016 (email).

## WALMART

No Reply

The questionnaire was sent to this company as through public sources indications were found that the company is (considering) sourcing from Ethiopia.

**Source:** MAA Garment and Textile website, 'Partners and Customers', March 2012 <[http://www.maatextiles.com/index.php?option=com\\_content&view=article&id=243&Itemid=330](http://www.maatextiles.com/index.php?option=com_content&view=article&id=243&Itemid=330)> and <https://twitter.com/addisale/status/812352721076555776>

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## OBERMAYER

No Reply

The questionnaire was sent to this company as through public sources indications were found that the company is (considering) sourcing from Ethiopia.

**Source:** MAA Garment and Textile website, 'Partners and Customers', March 2012 <[http://www.maatextiles.com/index.php?option=com\\_content&view=article&id=243&Itemid=330](http://www.maatextiles.com/index.php?option=com_content&view=article&id=243&Itemid=330)>

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## GEORGE (ASDA)

No Reply

The questionnaire was sent to this company as through public sources indications were found that the company is (considering) sourcing from Ethiopia.

**Source:** KnittingIndustry, 'Major brands are beginning to source from Ethiopia and Kenya', March 5, 2015 <<http://www.knittingindustry.com/major-brands-are-beginning-to-source-from-ethiopia-and-kenya/>>.

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## TESCO

Tesco's reply: *We did have one trial order made in one factory in Ethiopia a couple of years ago, but as far as I'm aware we don't have any orders there at the moment.*

*A couple of our key suppliers are exploring whether or not to develop their businesses there, so there is a possibility that we will look to source basic products from there in the future, but it's not a priority for us.*

Question: Why was there no follow-up sourcing after the trial order?

Tesco's reply: *Ethiopia doesn't give us any advantage with regards to cost price or lead times versus other countries like Bangladesh, and their capability is limited to basic products. In other words, it is better for us to continue working with existing trusted suppliers who can satisfy our commercial and quality requirements, in locations where we already have our own staff.<sup>102</sup>*

**Source:** KnittingIndustry, 'Major brands are beginning to source from Ethiopia and Kenya', March 5, 2015 <<http://www.knittingindustry.com/major-brands-are-beginning-to-source-from-ethiopia-and-kenya/>>; Reuters, 'Tesco emphasizes ethics as plans to buy clothes from Ethiopia', March 12, 2014 <<http://uk.reuters.com/article/uk-tesco-ethiopia-idUKBREA2B16I20140312>>.

<sup>102</sup>Tesco, response to SOMO questionnaire, October 26th 2016 (email).



## MARKS & SPENCER

Marks & Spencer's reply: *Marks & Spencer plc do not source any textiles or garments from Ethiopia, have not in the past and have no plans to do so in the future.*<sup>103</sup>

**Source:** KnittingIndustry, 'Major brands are beginning to source from Ethiopia and Kenya', March 5, 2015 <<http://www.knittingindustry.com/major-brands-are-beginning-to-source-from-ethiopia-and-kenya/>>.

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## VF CORPORATION (OWNS TIMBERLAND, NORTH FACE, LEE, WRANGLER BRANDS)

No Reply

The questionnaire was sent to this company as through public sources indications were found that the company is (considering) sourcing from Ethiopia.

**Source:** KnittingIndustry, 'Major brands are beginning to source from Ethiopia and Kenya', March 5, 2015 <<http://www.knittingindustry.com/major-brands-are-beginning-to-source-from-ethiopia-and-kenya/>>; The Wall Street Journal, 'Search for Ever Cheaper Garment Factories Leads to Africa', July 12, 2015 <http://www.wsj.com/articles/search-for-ever-cheaper-garment-factories-leads-to-africa-1436347982>.

**Remark:** *Was expected to start production of pants in Ethiopia in 2015*<sup>104</sup>

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## ADIDAS

To our questionnaire Adidas replied that: *for the time being, the adidas Group does not operate sourcing relationships with suppliers in Ethiopia.*<sup>105</sup>

Regarding an additional question of whether Adidas is exploring Ethiopia Question: Why did Adidas choose not to source from Ethiopia?

Adidas' reply: *Adidas conducts: an in-depth due diligence before [they] build a business relationship with suppliers in a new country. This includes applying various criteria like innovation capabilities, skill-set of work force, technical equipment of suppliers, export restrictions, human rights and environmental standards. Ethiopia does not meet these criteria.*<sup>106</sup>

**Source:** 'Ayka Addis Textile / Addis Ababa Ethiopia', April 3, 2014. Youtube video, <<https://www.youtube.com/watch?v=w3ZAPeA9vsM>>.

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<sup>103</sup>Marks & Spencer, response to SOMO questionnaire, October 12, 2016 (email).

<sup>104</sup>Apparel Online Magazine, 'Ethiopia: PVH to increase sourcing from Africa, set to source bottom wear from Ethiopia', July 9, 2015, shared on LinkedIn <<https://www.linkedin.com/pulse/ethiopia-pvh-increase-sourcing-from-africa-set-source-apparel>> ; KnittingIndustry, 'Major brands are beginning to source from Ethiopia and Kenya', March 5, 2015 <<http://www.knittingindustry.com/major-brands-are-beginning-to-source-from-ethiopia-and-kenya/>>.

<sup>105</sup>Tchibo, response to SOMO questionnaire, October 13, 2016 (email).

<sup>106</sup>Tchibo, response to SOMO questionnaire, October 17, 2016 (email).

## C&A

C&A's response to our questionnaire: *We are not working in Ethiopia.*<sup>107</sup>

Question: Is C&A exploring the option of sourcing from Ethiopia?

C&A's reply: *They know that some brands have already started sourcing from this country but [they] do not have plans to do so for the time being. ... Internally, every time we decide to open a new sourcing country, before doing so we carry out a due diligence process. In it we include Human and Labour rights aspects/risks together with other elements such as productivity, quality, etc. For the time being, we have not been asked to do this due diligence process thus we do not envision sourcing from Ethiopia.*<sup>108</sup>

## INDITEX

Inditex indicated that the company nor any of its brands are sourcing from Ethiopia and that: in this moment there is not any plan to open Ethiopia as a new sourcing country.<sup>109</sup>

### 4.1. LINKAGES BETWEEN ETHIOPIA'S GARMENT INDUSTRY AND THE DUTCH MARKET

In order to find out to what extent Ethiopia-made garments are being sold in Dutch shops, numerous store visits were conducted, the results of which are found in annex 1. The results from the store visits in general indicate that the number of Ethiopian garments that end up in the Netherlands is very small compared to other garment-producing countries. SOMO visited a number of H&Ms and did find a total of three different items with a 'Made in Ethiopia' label. The items - two white T-shirts and a black pair of leggings - were basic products and were made of 95-100% cotton.

It should be noted however, that a number of Dutch textile and garment brands and retailers do not include 'made in' labels on their products.

### 4.2. UNAUTHORISED SUBCONTRACTING

No information could be found on unauthorised subcontracting between countries.

<sup>107</sup>C&A, response to SOMO questionnaire, October 20, 2016 (email).

<sup>108</sup>C&A, response to SOMO questionnaire, November 4, 2016 (email).

<sup>109</sup>Inditex, response to SOMO questionnaire, October 20, 2016 (email).

# 5. CONCLUSION

**Although Ethiopia is seen by global brands and retailers as an ideal country for manufacturing and/or production mainly due to their large and cheap workforce, the initial interest has not yet led to the expected increase in production. There are still multiple challenges, such as the low productivity and quality, unrests related to land issues, and issues such as government bureaucracy.**

Despite these challenges, several brands have started producing in Ethiopia, with H&M and PVH as the largest international brands active in Ethiopia. Ethiopia is mostly producing basic products such as T-shirts. Most of Ethiopia's garment exports are destined for Germany, while other European countries receive small quantities. The United States also receives a portion of the exports.

Garments from Ethiopia can hardly be found in the Netherlands as the export figures show. A search in shops in the Netherlands lead to three basic articles found in H&M shops only.

# ANNEX 1: SHOP VISITS

| SHOP (BRAND)                           | DATE       | LOCATION   |
|--|------------|------------|
| Primark                                | 14-09-2016 | Zaandam    |
| H&M                                    | 29-09-2016 | Veenendaal |
| Esprit                                 | 29-09-2016 | Veenendaal |
| Charles Vögele                         | 29-09-2016 | Veenendaal |
| Prenatal                               | 29-09-2016 | Veenendaal |
| Pull & Bear                            | 29-09-2016 | Utrecht    |
| Bijenkorf (Benneton)                   | 29-09-2016 | Utrecht    |
| Bever Sport (Jack Wolfskin, Patagonia) | 29-09-2016 | Utrecht    |
| America Today                          | 03-10-2016 | Amsterdam  |
| GANT                                   | 03-10-2016 | Amsterdam  |
| Pepe Jeans                             | 03-10-2016 | Amsterdam  |
| Tommy Hilfiger Denim                   | 03-10-2016 | Amsterdam  |
| Levi Strauss                           | 03-10-2016 | Amsterdam  |
| Marks & Spencer                        | 03-10-2016 | Amsterdam  |
| Lee                                    | 03-10-2016 | Amsterdam  |
| Kathmandu (Schöffel)                   | 03-10-2016 | Amsterdam  |
| Wibra                                  | 08-10-2016 | Veenendaal |
| Tommy Hilfiger                         | 08-10-2016 | Utrecht    |
| H&M                                    | 13-10-2016 | Amsterdam  |
| H&M                                    | 15-10-2016 | Amsterdam  |

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