

Ethiopia as a Newly Emerging Global Textile Centre: A Review

Meseret Diriba, Sanjaya Kumar Ghadai, Satya Narayan Misra

Abstract: *The purpose of this paper is to address the situations that would make Ethiopia a resurgent country for textile and clothing manufacturing. Ethiopia is attracting the attention of the world due to several conducive demographic, geographic, and economic factors like the availability of cotton (major input of the sector) with cheap workforce, and low cost energy supply. Politically, the country is stable and the government has been encouraging the private investors by providing tax holidays and duty free activities. To accelerate economic transformation and attract domestic and Foreign Direct Investment (FDI), the Ethiopian government has developed industrial parks, by providing the necessary services and facilities for industries. The government has put numerous and realistic plan of actions in place to assist the expansion of the textile and clothing sector. Ethiopia also signed duty free access privilege to large market of USA and European Union (EU) which increases the export of the country and help to become the future hub of textile investment.*

Index Terms: Tax Holiday, Economic Transformation, FDI, Industrial Park, Textile Investment.

I. INTRODUCTION

When international trade is examined in the light of value chain, it includes primary and secondary activities of analysis. The primary actions are performed to change the idea into real product and provision of post sale services. Global value chain is another activity which includes the parties involved in international trade, actions of manufacturing of goods and services, international provision of goods and services, and dispersion and provision of international trade agreements in the world. An international value chain comprises many organizations in different nations working in combination in order to realize the value of the goods and services. The design of the goods and services performed in one country, parts are manufacturing in other country, and assembled in another nation and sold in different countries. One of the important value chains in the world is that of apparel which is structured into different parts such as provision of raw materials like cotton and different fibers. Textile firms

produce fabrics and yarns. Garment factories with local and international subcontractors with production networks, exporting and importing channels for marketing. It is more important to know the world trend of export and import of textile and apparel. Earlier than 1990s, developed nations were the world largest producers of textile and apparel. Latter the production of textile and apparel shifted to developing nations. The developed countries focused on high value adding activities like research and development and low labor intensive areas. The low cost advantages of manpower and bumper resource of Asian nations shift the production of apparel and textile to China and India. As a result, particularly China became the biggest manufacturing industry home of apparel, exporter of apparel and textile in the world. Western countries became the largest consumer of textile in the globe. Thereafter, the labour cost increased in China shifting the production of apparel and textile base to Sub Sahara Africa countries like Ethiopia. The low cost of manpower and energy, priority of trade access with European Union and USA, availability of quality raw materials, different government incentives and political stability will make Ethiopia the future hub of textile and apparel. This paper addresses (a) the world trend of export and import of textile and apparel, (b) a brief history of textile and clothing in Ethiopia, (c) assesses the promising demographic conditions of the country for the progress of textile and clothing sector, and (d) the modality and plan of action of Ethiopia government to assist the expansion of the textile and clothing sector further.

Global Trends of Exports of Textile and Clothing

Textile and clothing sector is a rapidly developing industry. Due to trade and related activity change in the world the sector also regularly set differently. These continuous developments involved the changes in the position of production, exporting and importing states and nations. Asia dominated the manufacturing of textile and clothing in general. China highly controls the market. India, Cambodia, Vietnam, and Myanmar latter appeared as the fastest and growing exporters of textile and clothing. Transformation in economic development and demand of progressive market create new markets. The trends of exports of textile and clothing in developed and developing countries were indicated below.

Table 1: Exports of Textile and Clothing in the World (% Share) [1]

Name of Countries	1990	2002
Developed Countries	52.2	37.8
Developing Countries	47.8	62.2

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Total	100.0	100.0
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Source: International Textiles and Clothing Bureau (ITCB)

As indicated in the above table the trade of textile and clothing was dominated by developed nations until 2002. In 1990 the share of developed countries was about 52.2 percent and that of developing countries amounted 47.8 percent. The situation was entirely different in 2002 as the percentage share of developed countries and developing countries accounted for 37.8 and 62.2 respectively. Likewise, as indicated below in the table, between the year 2003 and 2013 the export of textile and clothing was continuing dominated by developing Asian countries like China, Bangladesh and India. From the total trade of textile and clothing textile and apparel accounts for 57% and 43% respectively.

Table 2: Top Global Exporters of Textile and Clothing, 2003-2013

Table 1: Top exporters of clothing, 2003-2013					Table 2: Top exporters of textiles, 2003-2013				
Exporters	Exported value in 2003 (US \$)	Exported value in 2013 (US \$)	CA GR *	Share	Exporters	Exported value in 2003 (US \$) Exported	Exported value in 2013 (US \$) ported	CA GR	Share
China	45 757 114	165 044 601	13.7 %	38.8 %	China	27 454 487	108 898 007	14.8 %	33.4 %
Bangladesh	5 040 792	26 258 818	17.9 %	6.2 %	India	6 521 615	19 854 948	11.8 %	6.1 %
Italy	15 449 056	21 625 743	3.4 %	5.1 %	Germany	13 973 846	16 493 995	1.7 %	5.1 %
Vietnam	3 386 376	18 496 564	18.5 %	4.3 %	USA	11 888 902	16 080 252	3.1 %	4.9 %
Germany	9 127 940	18 320 287	7.2 %	4.3 %	Italy	14 008 743	13 926 994	-0.1 %	4.3 %
India	5 916 206	15 702 657	10.3 %	3.7 %	Republic of Korea	11 579 132	13 782 165	1.8 %	4.2 %
Turkey	9 546 445	14 961 774	4.6 %	3.5 %	Turkey	5 430 513	12 560 332	8.7 %	3.9 %
Spain	3 384 396	11 065 848	12.6 %	2.6 %	China Taipei	10 052 788	10 920 608	0.8 %	3.3 %
France	6 580 732	10 079 791	4.4 %	2.4 %	Pakistan	5 862 994	9 398 146	4.8 %	2.9 %
Belgium	5 167 839	8 678 581	5.3 %	2.0 %	Japan	7 139 211	8 209 987	1.4 %	2.5 %

Source: International Trade Centre (2015) (b) [2].

*Compound Annual Growth Rate

As shown in the table below, China is still the most suppliers of textile and apparel in the globe with share of 40% in 2014.

Table 3: Major Suppliers of Textile and Apparel (2014)

Region	Percentage
China & HK	40
India	5
Italy	5
German	5
Bangladesh	4
Turkey	4
USA	3
Vietnam	3
Others	32

Source: UN Comtrade Database [3]

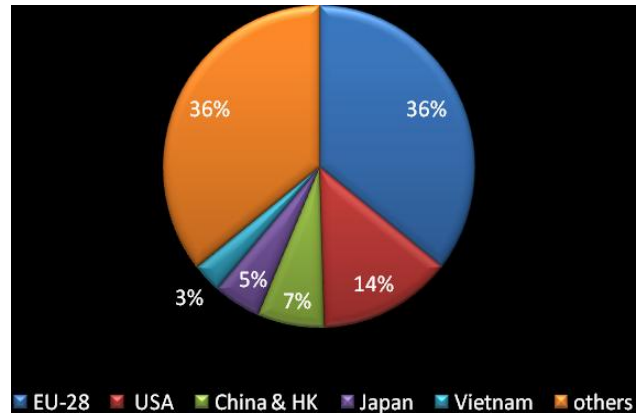


Figure 1: Major Markets for Textile & Apparel (2014)

Source: UN

Comtrade Database

As shown in figure above, European Union and USA are the world most importing of textile and apparel in 2014. Together they accounted for 50% of global market. This indicated that developed nations were shifted from supplying to consuming textile and apparel.

Table 4: Global Apparel Market Size (US\$ Billions)

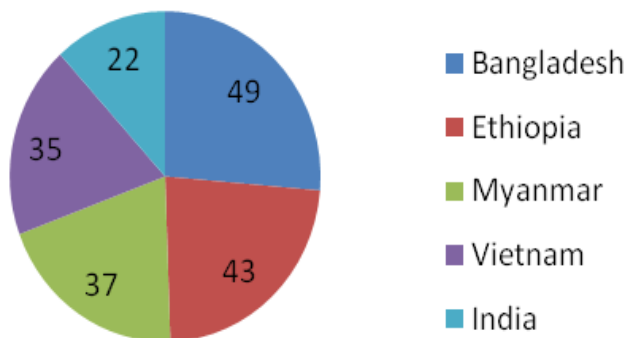
Region	2015	Projected %	2025
USA	315	2	385
China	237	10	615
India	59	12	180
Japan	93	1	105
Canada	25	2	30
Brazil	56	5	90
EU-28	350	1	390
Russia	40	3	55
Others	510	4	750
Total	1685		2600

Source: Wazir Research and Analysis [4]

The market size of global apparel is estimated to increase from 1.6 trillion to 2.6 trillion in 2025. India and China, the developing economy countries, are the most contributors for the development of this market. The two countries are the most captivating apparel markets increased in two digits. Large population size and growing spending ability of people increase domestic demand enhance the contribution of India and China which is 795 dollar bn. to apparel market than EU and USA which is 775 dollar billion in 2025. This showed that as the life standard of the citizen changed, large population of developing countries enhance the textile and apparel internal market of producing countries. Wazir Management Consultants (2013) expressed that textile and apparel industry is more advantageous for developing nations which has low cost benefit like Ethiopia. Ethiopia is the global low cost of production country. Currently the producers of textile and apparel have large local markets. Small nations also have their own local markets which helped their industries remain grow in the period of financial crisis. That attracts new investment in Ethiopia.



Wazir Management Consultants further pointed out that these market directions are probably to proceed serving to attribute the industry direction in the following period. The apparel market is currently US\$ 1.1 trillion but predicted to increase to US\$ 2.1 trillion in 2025. This will be determined mostly by the growth of intake of textile and clothing goods in developing nations. Per capita payment on clothing will probably increase at the quickest rate in China (10%), India (11%), in the Russian Federation (8%) and Brazil (4%). Although, the per capital growth of developed nations is slower, the per capital payment is still larger in EU and USA. Yet, faster per capital development and high population will support the developing countries to overtake more market of textile and clothing. Recently, Western Nations have maintained more of the larger value added portions of the value chain, including research, design, marketing and financial services. More tangible actions, which are often labor-intensive, keep to be centered in developing markets. Still this has been subject to the force of alteration in modern years. Taken the low profit margins in the manufacturing part of the value chain, one of the few ways for retailers to cut down costs, and for manufacturer to increase more value, leads to shift more of the design and physical process of work to the manufacturing country. This has stirred a shift in



developing nations.

Figure 2: Top Five Apparel Sourcing Countries in Next 5 Years

Source: Mckinsey Apparel CPO Survey, 2017 [5]

According to Mckinsey Apparel, Chief Purchasing Officer (CPO) survey 2017, as indicated in the above figure, China is going to be the most sourcing destination of apparel in the next five years. Next to China Bangladesh, Ethiopia, Myanmar, Vietnam and India are the countries of apparel sourcing in the next five years. The CPO identified and explained that Ethiopia is currently the most emerging African center for apparel sourcing. In spite of this, Ethiopia's textile and clothing exports are still tiny in the global market which is about seventy eight dollar million in 2015 as report of world trade organization.

The reasons for such transformational change are dynamic change in plan of action were set by nations like Multi Fibre Arrangement (MFA) which enhance the integration of manufacturing in Asia & African Growth and Opportunity Act (AGOA) [6] in Africa which turn the African nations to be competitive. In addition to the changes in the plan of action, the advancement of technology, and provision

of supply chain establishment also the driving forces for rapid transformation of textile and clothing industries.

Demand for textile and clothing is almost constant. For instance, due to economic crisis in 2008, the global export was decreased by twenty three percent. However, in respect of textile and clothing was declined only by twelve percent. This shows that textile and clothing industry is the most promising source of foreign currency for numerous nations as per Global Trends report 2025 [7].

Shift of Industries and Appearance of new Destinations

Before 1990s, USA and EU were the most producers of textile and apparel. Due to rising of cost of production in EU and USA, producers of textile and apparel wanted other destinations for their products to be profitable. The low cost benefit of developing Asian countries shifts the producers of textile and apparel to China and India. After 1990s they shifted to Asian countries which have ample and low cost workforce, abundant resources and hospitable policies for the textile production. From this shift, China has benefited and became a centre of industry. Since 2002s China appear as the largest industry base, and exporter of textile and apparel within the globe. EU and USA transform to the most consumer of textile in the world. Asian countries focused on production as well as the consumers of the products.

Since textile and apparel manufacturing is price sensitive and labour intensive, countries protect local producers by imposing large import duties. As USA and EU became high consumer of textile and apparel products, they arrange different market access agreements with many textile producing countries to reduce or eliminate tariff costs on the import of these countries. This agreement attracts smaller countries to get access to large markets. They produce more products and increase their exports. For example, Bangladesh is one of the countries which signed the agreement with EU in 2001 and become the second exporter of textile and apparel in the world in 2014. Ethiopia also signed the African Growth and Opportunity Act with USA and EU which increase the export of the country and help to become the future hub of textile investment. However, China, the highest exporter of textile and apparel is not happy with such duty free access privilege to large market of USA and EU.

Table 5: Market Access Arrangements of USA and EU

Market Access Arrangement - USA	Market Access Arrangement - EU
Caribbean Basin Trade Partnership Act (CBTPA)	GSP status to 88 countries
Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE)	GSP + status to 34 countries
The African Growth and Opportunity Act (AGOA)	EU-28
The North American Free Trade Agreement (NAFTA)	EBA status to 49 LDCs
The Central America Free Trade Agreement (CAFTA-DR)	

Source: FICCI-TAG-2016 [8]

II. A BRIEF HISTORY OF TEXTILES AND APPAREL IN ETHIOPIA

It was in the early twentieth century that Ethiopia's cotton sector, and consequently the textile and clothing sector, began to grow on a commercial scale. The Italians introduced the first garment factory in 1939, as well as the first modern, integrated textile mill [9], [10]. The sector continued to expand in line with the growing cotton production, and the 1960s saw the establishment of five large, private, integrated textile enterprises. While the socialist Government, which ruled the country 1974 to 1991, nationalized the private textile and apparel companies, it also established additional enterprises to fulfill domestic demand. Nonetheless, the sector eventually suffered from lack of competition, limited investment, and reliance on outdated technology which hampered the development of textile and clothing sector significantly. Indeed, it was unable to meet international standards and was operating well below capacity.

Since the return to a market economy in 1991, the government has identified the textile and clothing sector as one of the priority areas for poverty reduction and economic development. From 2000 onward, the government began to privatize state cotton farms and ginneries and to sell or lease state textile mills. However, it is only in the last few years that the sector has unnecessarily started to grow.

Mausmi Ambastha (2017) [11] indicated that Ethiopia is the 2nd most populous nation in Sub-Saharan Africa countries. It has various ethnic and linguistic ground and one of the most developing countries in the world. The economy of the country is transitional and controlled by big public organizations. Currently the government transferred a large number of state owned companies to private sector through privatization. One of these is textile industry. Recently the government develop a strategy for the growth of the sector.

As reported by Bogale Feleke (2017), Ethiopian Deputy Minister of Industry, in GTP-II Ethiopia will be transformed to industrialized nation in 2025. In order to realize this objective the country had set long term plan to build huge industrial parks in different cities. Even though there are currently about one hundred seventy five companies investing on textile and clothing industries in Ethiopia, compared with other nations in the world, the country is still at lower level of development in the area. Hence, the country is still in need of attracting more foreign investors in this sector. In this regard, it is possible to anticipate that the availability of cheap labor cost, relatively low investment cost with approximately two hundred thousand dollar (\$200,000) might be some of the possible factors attracting several investing companies from India, China and other nations to invest in Ethiopia. This, in turn, might contribute a lot to the growth of foreign direct investment of the country from the current \$0.95 to \$3.00 in year 2013 through 2016. Why is Ethiopia said to be an emerging feasible country for Textile and Clothing Industries.? The following paragraph will explain the details.

III. PROMISING GEOGRAPHIC AND DEMOGRAPHIC CONDITIONS

As production costs in Asia continue to rise and Western buyers become more interested in ensuring ethical working

conditions, a number of sourcing companies have turned away from Asia and towards Africa in general and Ethiopia in particular. Brands including H&M, Tesco, and Primark have all begun to source from Ethiopia over the last few years as they seek to increase control of the entire supply chain from cotton to garment. They are drawn not only by low labour costs but also by the availability of raw materials and by the geographical proximity; Europe can be reached easily via the Suez Canal, reducing delivery times by a third when compared with the Far East. In addition, many companies are drawn to the perceived social responsibility of the sector in Ethiopia; Ethiopian labour laws conform to international labour organization standards. Nowhere is Ethiopia's potential more evident than in trade statistics since the turn of the century. Over the last decade, textile and clothing exports have grown by a compound annual growth rate (CAGR) of 26%, reaching US\$ 82 million in 2014. During the same period, textile and clothing subsector exports grew by CAGR of 37% and 19% respectively (Ethiopian Textile Industry Development Institute, 2014) [12]. The Ethiopian Government continues to be actively engaged in enhancing the textile and clothing sector as part of its industrial development endeavor, with the ultimate goal of attracting investors and enhancing competitiveness in international markets. To this end, the Ethiopian Textile Industry Development Institute (ETIDI) [13] was established by the Council of Ministers in 2010. In order to assist the sector in reaching the goals set by the government's five-year Growth and Transformation Plan, GTP, ETIDI is mandated to work on investment promotion; provide training and consulting services; engage in research and development; and provide various testing and marketing support services. As such, it has become the focal point for activity in the sector and the main provider of support services enumerated above. Strong commitment of government to the area is coupled with the following promising advantages in Ethiopia:

- Low labor costs
- Large and trainable workforce
- Accessible and sustainable hydraulic energy
- Lowest electricity costs
- Relative proximity to Europe
- Preferential market access (AGOA), Everything But Arms, Common Market for East and South Africa (COMESA) and soon the tripartite agreement for a Free Trade Area between COMESA, the East African Community (EAC) and the South African Development Community (SADC), and improved access to South Africa
- Significant state support/incentive programmers
- Availability of quality raw materials
- Political stability and macroeconomic growth.

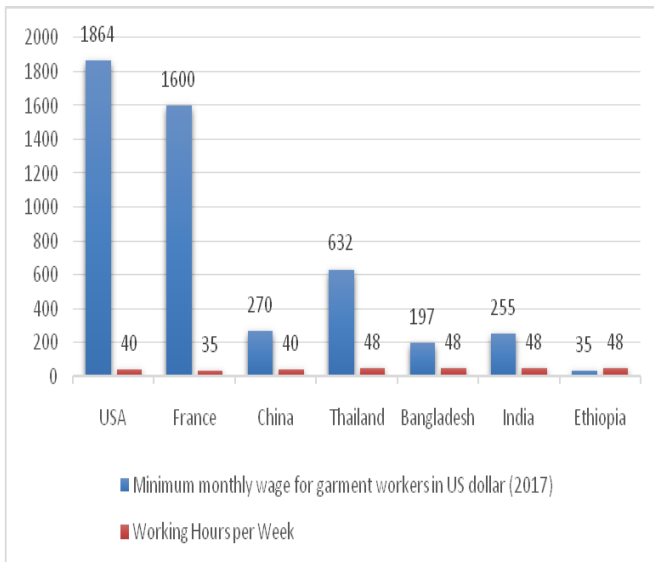


Figure 3: Wage per Month in US Dollar and Working Hours per Week

Source: Wage-FASH455 Global Apparel and Textile Trading [14] and Sourcing; Andrea Dijkstra, 2015 [15]

In the above chart, the minimum wage for garment employees of some of developed countries, Asia developing countries, and low-level development country like Ethiopia for the year 2017 were reported. The minimum wage of advanced countries is by far greater than the Asian countries. Asian countries minimum wage also higher than Ethiopia [16]. That is, Ethiopia is a country with the lowest labour cost.

Figure 4: Electricity Cost in USA Dollar Kwh (2017)



Source: Global Electricity Prices 2018 [17], [18]

Ethiopia is referred as water tower of Africa and thirteen month of sun shine country. These lead the country to hold different sources of energy supply. As indicated in the above graph, Ethiopia's electric cost is very low. The lowest electricity cost in Ethiopia is attracting foreign investors from China and India, the currently leading nations in textile industry in the globe.

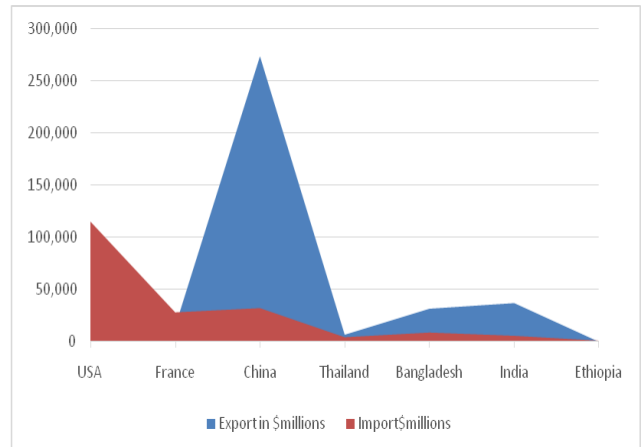
Table 6: Number of Urban Employees in Ethiopia's Textile and Clothing Sector

Parameter	2013	2014
Textiles	150 009	178 480
Spinning, weaving and dyeing	104 655	134 199
Other textiles	44 203	44 281
Wearing apparel	56 004	56 221
Knitted and crochet	11 137	9 558

Sources: Ethiopian Central Statistical Agency (2014) (a) [19]; and Ethiopian Revenues & Customs Authority (2014) (b) [20].

Since, textile and clothing is labour intensive sector, it is vital for creation of new jobs. It provides employment of more than 300,000 people in 2013 and 400,000 in 2014 in Ethiopia. Even though, the number of new jobs is increasing, as more than half of Ethiopian population is at working age, the level of employment is scant.

Figure 5: Export and Import of Textile and Clothing



Source: Global Trade Atlas (GTA), Slides on Trends in Textile Trade, 2018 [21]

The trend of trade of textile and clothing of some selected countries from different development level in 2015, shows that China is the most exporting country and USA is the most importing country. France and Ethiopia are the countries with trade balance of 13,529.6 million dollar and 1,028.75 million dollar respectively. However, the amount is lower than that of France, in comparison with the amount of export it is very large gap of balance of payment in Ethiopia. As a result, the country is facing the problem of foreign currency to cover its import. To address this problem, the Ethiopian government has devised different mechanisms. One of them is attracting external investors in the textile and clothing industry which makes Ethiopia center of the sector. The absence of duty free access privilege to large market of USA and EU in China and large need of textile and clothing in USA market avail Ethiopia to attract China investors to utilize market access privilege.

As stated by Ethiopian embassy to India (2014), Ethiopia has shown huge improvements in textile and clothing sector.

This advancement in the sector was supported by the availability of low labour cost, trained and highly encouraged manpower, low cost of energy, and availability of raw materials like cotton. Further, annual economic growth and stability of macro-economy, exchange rate stability, strong government cooperation, conducive tax environment, and bilateral agreements for security and assistance of investment, double tax avoidance agreement were signed with various countries contributed to this advancement in the sector.. In addition,

Ethiopia signed treaty with international investment institutions like Multilateral Investment Guarantee Agency (MIGA). Again, Ethiopian Investment Agency (EIA) [22] provides one stop shop professional service for foreign investors. Besides, urban and rural lands are available in different lease prices for 99 years. Moreover, Ethiopia is currently politically stable and tourist destination country. In sum, all these conducive situations are assumed to significantly contribute to the advancement of Ethiopia in the sector of textile and clothing.

Moreover, the opening of a railway line to port of Djibouti is hoped to enhance the transportation speed in and out of the country and, hence, making it vital place for the investing companies from Asia, Middle East, and Europe. However, there are several hindering factors like limited production, low quality consciousness, lack of development of new design, problem of management structure, limitation of skills and training systems. Ethiopia is attracting the attention of the world due to its cheap workforce, energy cost and raw material cost. As a country Ethiopia is politically stable and the government encourages the private investors in providing tax holidays and duty free activities. Ethiopia has large number of youth population (about 40% of the total population) and in a fair command of written and spoken English. Due to its location of crossroads between Middle East, Africa and Asia and its large population is an accessible place for local and international markets. Ethiopia invested about seventy three billion dollar for soft and hard infrastructure and has its own power supply projects. Income tax exempted for 2-9 years. Similar advantage is given for local and foreign investment. Ethiopia signed bilateral investment promotion and protection with twenty seven nations and also signed double tax avoidance agreements with eighteen nations all makes' Ethiopia suitable country for investment. In the year 2015 Ethiopia constituted AGOA which makes companies eligible for duty free trade in to US until 2025. The country signed different trade agreement with various countries and institutions.

IV. INDUSTRIAL PARKS IN ETHIOPIA: EXISTING AND FUTURE PLANS

The Ethiopian government has placed out a very brave modality and put numerous plan of action in place to assist the expansion of the textile and clothing sector. The most flagship project is the Hawassa industrial park, already home to apparel industries providing some of the biggest international brands. Hawassa is expecting one billion dollar in exports and sixty thousand workers by the end of 2018. Most of the investment comes from China. Generally, Ethiopia draw external investments of \$1.2 billion in the first six months of the 2016-2017 fiscal year, largely from Chinese organizations and half of which are authorized in textile and garment production. Similarly, Ethiopia has eleven industrial parks under operation and plan to have fifteen throughout the country as per Xinhun & Leonie Barrie, 2017 [23] in Ethiopian Investment Commission, 2019.

Table 7: Industrial Parks in Ethiopia

Name of Industrial Parks	Kms from Addis Abeba	Bounded Land (Hectare)	Major Entitled Industries
Addis Industry Village	Addis Abeba	8.7	Apparel
Kilinto	Addis Abeba	337	Pharmaceutical, furniture, house appliance, electronic and electrical
Hawassa	275	300	Textile and Apparel
Dire Dawa	473	1500	Textile and Apparel, Food processing and vehicle assembly
Kombolcha	380	700	Textile and Apparel, Food processing
Mekelle	760	1000	Textile and Apparel, Food processing
Adama	74	2000	Textile and Apparel, Food processing and vehicles assembly
Bahir Dar	578	1000	Textile and Apparel, Food processing
Jimma	346	500	Textile and Apparel, Food processing
Bole lemi I	Addis Abeba	156	Apparel
Bole lemi II	Addis Abeba	186	Textile and Apparel

Source: *Industrial Park Development in Ethiopia Case Study Report* [24]

Supportive Systems behind Ethiopia Textile and Apparel Sector

The value chain is supported by an array of public and private institutions. Chief among them is Ethiopian Textile Industry Development Institute (ETIDI), which formulates and implements strategies; and the programmes have the aim of stimulating the cotton, textile and apparel industries. In its focal point for the sectoral development, ETIDI conducts market studies and disseminate trade intelligence, advises potential investors, provides trainings and technical assistance to enterprises (in production, quality and human resource (HR) management), provides testing and quality evaluation services, helps textile companies improve waste-water treatment, provides quality and consulting services for inputs and finally, assists in all other areas related to sectoral development and sector-specific investment promotion. The Ethiopian Textile and Garment Manufacturers Association (ETGAMA) is the private sector organization that represents the interests of enterprises in the textile and clothing sector. Its goal is to foster the development of the textile and clothing sector. Its activities include: updating members on contemporary global business trends; conducting seminars & dialogues with government regarding policy issues; holding trainings & workshops with development partners; promoting member factories & their products; providing advisory services on technical & operational concerns; building relationships between exporters & international buyers; and helping members meet national & international standards as per Ethiopian Textile and Garment Manufacturers Association, 2015 [25], [26].



The Ethiopian Investment Commission (EIC) and its regional equivalents look to attract investors to the country, while the Privatization and Public Enterprises Supervising Agency is responsible for implementing the government's privatization plan and supervising public enterprises, including the remaining public textile and clothing enterprises. The Ethiopian Cotton Producers, Exporters and Ginners Association (ECPGEA) provides advocacy, consulting and trade promotion services to its members according to demand. It should be noted that, in general, public private dialogue is weak and capacities at private sector associations must be enhanced in the areas of policy advocacy, marketing and management. The sector relies on about 500 technical and vocational education and training (TVET) institutions (up from 153 in 2003), of which roughly 20% are specialized in the textile and garment sector (Textiles Intelligence, 2015) [27]. A number of universities also have textile engineering departments, including Addis Ababa Science and Technology University, the Ethiopian Institute of Textiles and Fashion Technology, and ETIDI.

Other organizations providing key support to the sector include Mennonite Economic Development Associates, the Ethiopian Women Exporters' Association and the Organization for Women in Self Employment. Key technical consulting services are also provided by the Transformation Triggering Facility, an EU project that seeks to assist Ethiopia in its economic development.

Local Inputs for Textile Industries in Ethiopia [28]

The most widely used input is cotton, which is supplied mainly by the local market. Ethiopia ranked thirteenth among African cotton-producing countries in 2013/14, and produces a medium staple length cotton of 25-30 mm. Cotton production is concentrated in the Awash valley, although significant potential exists for expansion in the Omo-Gibe, Wabi Shebelle, Baro Akobo, Blue Nile and Tekeze river basins as per Embassy of Ethiopia [29], Economy and Business Section. In total, only 123,000 hectares of the land are cultivated, despite the availability of roughly 3 million suitable hectares. Seventy per cent of cotton is produced by commercial farms. Most of the cotton is grown under irrigation. The first organic cotton farm has just recently begun operations; its output is expected to help the sector increase its penetration of the European market as per Deloitte, 2014 [30]. According to the International Cotton Advisory Committee (ICAC) [31], the average yield in Ethiopia is 321 kg of lint per hectare (2013/14). While close to the average yield in Africa, it is quite low for cotton cultivated under irrigation. The Food and Agriculture Organization (FAO) [32] of the United Nations estimates that Ethiopia produced 600,000 tons of cotton seed in 2013, nearly double the levels achieved in 2010 as per Food and Agriculture Organization of the United Nations, 2015.

With regards to locally produced cotton, Ethiopia is establishing a national enterprise that will be responsible for purchasing and selling Ethiopian cotton. This entity will strengthen the linkages between cotton producers and textile mills in an effort to increase domestic value addition. Other inputs such as dyestuffs, agricultural chemicals (for cotton production), finishing/ processing chemicals, man-made fibre, wool and machinery (mainly from China and India) are

also imported from abroad (handlooms are however sourced domestically). With regards to employment, the sector relies on domestic workers. While labour costs are low and workers are motivated and highly trainable, labour productivity remains an issue. Water, electricity and fuel are also supplied domestically.

Existing and Potential Challenges

Currently, there is high competition among textile and clothing companies in the world. This creates challenges in developing textile and clothing sector in Ethiopia. As indicated in Ethiopia textile and clothing value chain roadmap (2016-2020), the textile and clothing companies are not in a position to compete in the international markets due to:

- Difficulty to maintain international market quality standards
- Lack of national branding
- Lack of investment promotion
- Lack of environmental and social responsibility
- Lack of qualified professional managers
- Limited quality and quantity of locally produced cotton
- Limited productivity and quality of textile and clothing products
- Limited production capacity usage
- Inefficient and ineffective management structures
- Employee turnover
- Lack of marketing and market knowledge
- Lack of experience in dealing with international customers

However, a number of incentives and policy support of government have been given low cost of factors of production, trade access benefits and the sector is still in infancy stage as compared to other nations which lacks such privileges.

V. CONCLUDING THOUGHTS

A major theme of this paper is analyzing the situations that make Ethiopia globally emerging feasible country for textile and clothing sector. From the analysis of evidences in the paper, it is possible to infer that Ethiopia is an ideal place for textile and clothing sector in the future, attracting the attention of the world, due to several conducive demographic, geographic, economic, and political scenarios. Since textile and clothing sector is labour intensive, companies transform their business in the country where labour is cheap. Ethiopia demonstrated this through cheap and abundant labour with minimal cost. Therefore, it is the ideal candidate country for textile and clothing. To realize such opportunity, the country should focus on providing technical & supervisory skill development, improve policies regarding employee incentives & retention, improve quality management skills in line with best global standards, realize improvement in existing training & education in line with industry's requirement, by taking inputs from these world industries and make them particles in the process. Building design capacity, fostering novelty in indigenous design as a large scale are the way forward.

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