



## Putting the best foot forward

Shoe-manufacturing giant plans major expansion in Ethiopia

By **CHEN WEIHUA**

**T**he huge Huajian shoe factory, on the outskirts of Ethiopia's capital, Addis Ababa, comes to life about 6:30 am. Thousands of workers dressed in green T-shirt uniforms arrive for breakfast by bus from the nearby towns of Dukem and Debre Zeit.

A dozen or so young men finish their meals quickly and head to the basketball court outside the main building; others play football in an open field nearby.

Work starts at 7:40 am sharp. The noise levels pick up as the 3,200 local workers, and another 170 from China, get down to the business of cutting, gluing and stitching nearly 6,000 pairs of quality shoes each day.

Huajian International Shoe City (Ethiopia) PLC, to use its full title, is the largest employer in the Eastern Industry Zone, a site 37 km from Addis Ababa's city center, which is also home to another 20 Chinese manufacturers.

Huajian's operation here took just three months to build, and production started in January 2012.

It now makes 180,000 pairs of shoes a month, that is about 2 million a year, says Jack Song, its deputy general manager. Most are exported to the high-paying markets of the US and Europe under brand names such as Guess, Nine West and Naturalizer.

Its Chinese parent Huajian Group makes more than 20 million pairs annually.

Huajian is one of a growing number of Chinese manufacturers seeking to go global, in an effort to counter rising labor and raw material costs back home, which are not being helped by the appreciation of the Chinese currency, the yuan.

But this investment in Ethiopia was a bit

### AFRICA OPERATIONS

HUAJIAN INTERNATIONAL SHOE CITY (ETHIOPIA) PLC  
**Established:** 2011  
**Headquarters:** Dukem, 37 km southeast of Addis Ababa, Ethiopia  
**Major business in Africa:** Shoemaking

### PARENT COMPANY IN CHINA

HUAJIAN GROUP  
**Industry:** Shoemaking  
**Founded:** 1996  
**Headquarters:** Dongguan, Guangdong province  
**Employees:** over 24,000  
**Revenue:** \$229 million (2013)  
**Address:** Shigu Industrial area, Nancheng district, Dongguan, Guangdong province  
**Phone:** 86 769 88639999  
**Website:** www.huajian.com

### ZHANG HUARONG



Chairman and President of Huajian Group; Chairman of Huajian International Shoe City (Ethiopia) PLC  
**Born:** 1958  
**Education:** Jiangxi University of Finance and Economics  
**Career:**  
 • Chairman and President, Huajian Group (1996-present)  
 • Chairman and President, Jiangxi Huajian Co Ltd (1991-96)  
 • Founded Huajian Group in 1996

special. It came at the personal invitation of its late Prime Minister Meles Zenawi.

During a trip to China in August 2011, Zenawi asked Zhang Huarong, who built the company from scratch in the 1980s, to open a labor-intensive, shoe manufacturing plant in his country, the second most populous nation in Africa, with 92 million people.

Ethiopian workers cost a 10th of the price of Chinese workers and its government, like several others in Africa, is positioning itself as the perfect relocation spot for labor-intensive Chinese manufacturers, as they face rising wages at home.

Some estimates suggest as many as 80 million to 100 million Chinese workers could be moved by their employers to lower their cost bases.

Ethiopia offers low or zero tariffs to the European and US markets on imported manufactured goods, and tax holidays of up to seven years to those prepared to move into the Eastern Industry Zone, the country's first dedicated industrial park.

For Huajian, which uses quality leather, the fact that Ethiopia is also home to Africa's largest livestock population made the country too good to resist.

The company has now secured 138 hectares of land in the Lafto area of Addis Ababa, on which it plans to build a mixed-use complex, encompassing not only its own light industry site, but residential, hotel and entertainment.

This new facility will be built over the next decade and be 10 times bigger than its current site, employing a workforce of 50,000 people.

Nara Zhou, Huajian's public relations manager and assistant to the company president, calls its design futuristic, and in sharp contrast to the typical Addis industrial building. She also describes it as "the future" of Huajian.

"It's very meaningful to be working on this project," says Zhou, 27, who graduated in international trade from Hunan University.

Operating from an office in downtown Addis, the fluent English-speaker has been given the pivotal job of handling negotiations between her company and the Ethiopian government, often working at the ministerial level, on the new zone's development.

Huajian plans to pour \$300 million into the new site over the next seven years, she says.

Back on a daily-operational level, Song says his daily priority is finding ways of improving productivity and quality at Huajian's current factory.

A typical Ethiopian worker is about 60-70 percent as productive as the equivalent Chinese, but he believes that can be increased to 70-80 percent, he says.

The company's top-end brands of shoes, such as those produced for Coach and Versace, are still being manufactured in China, and will remain so for a while yet, he says.

"Our operation here needs experience, and that means training over the long-term."

Esrael Etefa, a 24-year-old Ethiopian, is one of 89 local workers who were trained in Huajian's headquarters in the southern Chinese city of Dongguan in 2011, before production started in Ethiopia.

He is now a production line supervisor, and likes to introduce himself as Fazhan, his Chinese name meaning "development", which was given to him by none other than Huajian's founder, Zhang.

"The work here is hard, but I like the environment because it teaches us how to overcome our challenges," Etefa says, in Chinese.

Natty Abebe has also been with Huajian since it started three years ago. "The management treats us well and I have learned a lot here," says the 26-year-old assistant to the workshop manager, who has a degree in hotel management from the University of Addis Ababa.

Etefa and Abebe are exactly the types of highly qualified individuals Song says he wants to train and promote, meaning he can cut down on the number of relatively expensive Chinese still in managerial posts. His goal is to cut the Chinese total from the current 170 to 60.

The 43-year-old Song came to Ethiopia in October after working for Huajian for 13 years, and for 20 years in the shoe industry.

Three times a week about 4:30 pm, he gathers his 200 Chinese and Ethiopian managers, in military formation outside the factory.

He then shares with them the latest developments and best practices in successful shoe production. "We are always in a 'cadre-training' mode," he says with a smile.

Huajian still faces challenges in Ethiopia, such as inefficient customs clearance and poor infrastructure, as the country is still to benefit fully from its government's reforms and development planned to attract more foreign investors.

Rent in the Eastern Industry Zone, he says, is also expensive compared to China.

But while Ethiopia's labor costs are definitely an advantage, Song insists that does not mean huge profits.

As an original equipment manufacturer, Huajian does not have much say in deciding its products' sales prices, which are still set by US and European customers, he says.

"It's the Western trading firms and their consumers who benefit most; the pressures on producers like us are still extremely high."