

Quality Japanese Leather Producers Invest in Ethiopia

■ *The investment is a massive boost to the government, who target the leather industry as a priority in their GTP*

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Hiroki Co. Ltd, a Japanese-based leather producing factory, is set to start production in Ethiopia in mid-March, with an investment of close to 10 million Br.

The first Japanese foreign direct investment (FDI) to Ethiopia in the leather industry, Hiroki, which already established the Hiroki Addis Manufacturing S.C in September last year, will start producing leather garments, bags, wallets and shoes for export to the Japanese market.

The Company decided to engage in production having studied the marketability of Ethiopian leather, says Youngil Song, president of Hiroki Addis.

"We decided to open a factory in Ethiopia because of the availability of quality leather raw material," Song said. "It is one of the finest leather in the world."

Hiroki's decision to open up a factory in Ethiopia - which will be based in a rented building in Alemgena town, in the Oromia Region, located some 26 km from Addis Abeba - was also prompted by the availability of cheap labour.

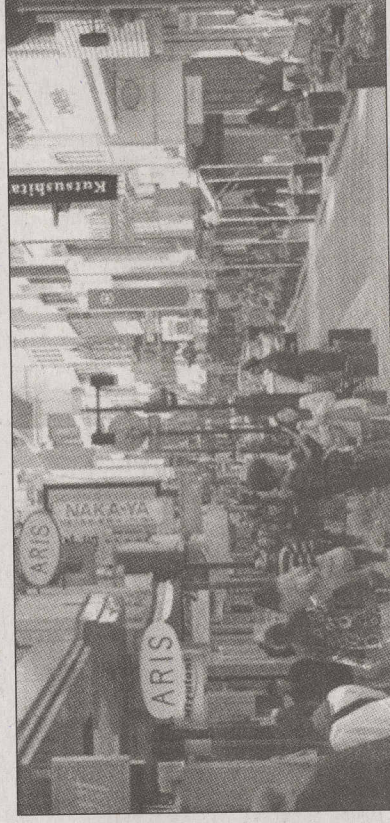
Hiroki's leather jackets are sold at high prices in Japan, costing between 2,000 dollars and 5,000 dollars. Hiroki's leather specialty shop is located in the Yokohama Motomachi area, which is one of the biggest shopping streets.

The factory targets an annual production of 1,300 pairs of Ethiopian sheep garments, 8,000 bags, 3,600 wallets and 7,000 shoes during the first year of production. The Company will start



Photo: Fortune File

The arrival of Hiroki, which sells quality leather at high prices in Japan is an opportunity for the burgeoning leather industry, say Ethiopian officials.xxxxxxxx



production with 30 employees, according to Song.

The arrival of three machines from the Port of Djibouti, which the factory expects in three or four weeks of time, will lead to the commencing of production, Song told *Fortune*.

In three years time, however, it plans to acquire a plot in the Bole Lemi Industrial Zone - the first hub exclusively for export-oriented manufacturers - to build its own factory. When it moves to Lemi, the factory plans to raise the number of employees to over 100.



Although the 32.1 million dollars earned in the first quarter of this fiscal year shows an increase of 7.3 million dollars compared to last year, it still falls short of the target.

For the government, which managed to earn 32.1 million dollars in the first quarter of the current fiscal year from the export of leather, Hiroki's investment is a welcome opportunity.

"Hiroki's decision to invest in Ethiopia is a welcome decision, as it focuses on high quality products," says Tadesse Haile, state minister for Industry. "They recognise the unique character of Ethiopian leather."

Although the 32.1 million dollars earned in the first quarter of this fiscal year has increased by 7.3 million dollars compared to the figure for the same period in the previous year, it still falls short of meeting the target.

The leather industry is one among those in the manufacturing sector that have been given priority under the government's Growth & Transformation Plan (GTP). However, Ethiopia earned 123.4 million dollars in leather exports in the 2012/13 fiscal year. This was just 64.3pc of the projected target of 192 million dollars.

The decision to start production in Ethiopia is part of Hiroki's 13-year plan, which also includes introducing products to the European market in 2015.

For Wondu Legesse, director general of the Leather Industry Development Institute (LIDI), Hiroki's investment in Ethiopia is an opportunity for the emerging leather industry.

"Their quality of leather making is superior," Wondu said. "They bring expertise and technique to the sector."