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**Executive
Summary**

**Developing Ready-Made Garments Industry's Value
Chain to Promote the Competitiveness of The Egyptian
Exports**

Table of Contents

No	Topic	Page No
1	Research Team	1
2	Introduction	2
3	Objectives	2
4	Methodology	3
5	Findings	3
6	Recommendations	4
7	Suggested Policies	5

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Introduction

The past three decades have witnessed strategic trends in the emerging economies towards integrating into the regional and global value chains of the various manufacturing industry sectors, including the ready-made garment. These trends were shaped by a number of factors. First, fierce competition - from cost and quality perspectives - at the regional and global levels, and the countries' pursuit of sustainable development by creating job opportunities. Second, raising growth rates and enhancing export competitiveness. Third, benefiting from technical and logistical developments. This strategic trend was reflected on Egypt's Vision 2030, and manifested within the framework of the medium-term plan for sustainable development (2018/2019 - 2021-2022). It also included policies aimed at developing value chains in the textile and ready-made garment industry, considering this industrial section one of six industries most ready for export in the manufacturing sector. Consequently, this study focuses on analyzing the local, regional and global value chains of the ready-made garment industry in the Egyptian economy to assess the current opportunities and challenges and to suggest recommendations aimed at raising performance and enhancing exports at different levels.

Objectives

- 1- Examining the broad indicators of the ready-made garments industry in Egypt, especially those related to production, consumption, foreign trade, sector's policies regulating frameworks, and competitive advantages at the regional and global levels.
- 2- Analyzing the Industry's value chain guided by the scope of work of the United Nations Industrial Development Organization - UNIDO, for instance:
 - The activity environment and the socio-economic framework for the ready-made garments industry.
 - Sectorial profile: products, markets (local, regional and global), the core and peripheral parties in value chains, and the available services.
 - Various types of inputs, contracting methods, associated logistics, and the necessary infrastructure components.
 - The production capacities and technologies used, the current levels of development and innovation, and the competitiveness of the industry's cost levels.
 - Quality standards in different markets (local, regional, and international).
 - Governance status in the value chains of the ready-made garments industry.
 - The availability of financing industry units (feasibility, and levels of risk).
 - The seven elements of the value chain are analyzed using SWOT Analysis. Where the strengths and weaknesses of each are examined.

Methodology

- 1-Reviewing the previous literatures.
- 2- International reports: the International Monetary Fund, the World Bank - and UNCTAD, Arabic monetary fund.
- 3- Reports released by the Ministry of Trade and Industry.
- 4- Statistics released by the Central Agency for Public Mobilization and Statistics.
- 5- Export Development Authority reports.

Findings

The following findings were concluded, some of it relevant to the textile industry in general, while others are relevant to ready-made garments industry in particular. These findings were found after monitoring the performance of the industry in the Egyptian economy and analyzing the industry value chain throughout its stages.

Overall Outcomes:

- Global value chains have led to an economic transformation that has resulted in accelerating the pace of development in many poor countries, as well as enabling them to specialize and consequently increase their domestic product.
- Companies in poor countries were able to achieve great outcomes in production, and shifted from exporting raw materials to basic manufacturing.
- Boosting productivity and growth. Studies and reports show that increasing participation in GVCs by 1% increases per capital income by more than 1%, and this was confirmed by Ethiopia's case. Its participation in the GVCs has accelerated its foreign trade at double.
- Increasing employment in the most productive manufacturing and services activities and increasing women's participation in the workforce.
- Support structural transformation in the developing countries and benefit from the economic reform undertaken by most of these countries.
- Strong global economic engagement through participating in global, regional and local value chains would result in achieving successful and integrated investments.
- Integrating into global value chains is an effective method to resolve any gaps in the economy. The research finds that many African countries have been able to overcome their economic gaps and increase their employment rate especially in the countries that have poor infrastructure, through opening up factories affiliated to China, the thing that helped in integrating into the global economy.
- Egyptian economic experts believe that the Ministry of Investment can attract foreign companies, or investments.
- Integration also generates investment profits that helps in creating appropriate job opportunities for the citizens and achieve competitive advantage for national

companies, reduce the consumer import bill, motivates the local markets for production, along with stimulating our regional markets for integration.

Results Relevant to ready-made garments industry

- The industry contributes with a small amount to the net value added to the manufacturing industry as a whole.
- There is an increase in the sector's operational capacity.
- This industry contributes in reducing the unemployment rate among females, which estimated around 22.2% in 2019 compared to 4.2% for men. Therefore, promoting this industry is one of the most important techniques to empower women and overcome the labor market difficulties issues.
- The unemployment rate of the ready-made garments industry increased, ranging from 5.3% to 20% during the study period.
- The most significant reasons responsible for not utilizing the available productive capacities in this industry , are the shortage of raw materials, unavailability of skilled labor, shortage of spare parts, marketing and financing challenges, and obsolescence of machinery and equipment in use.
- The Qualified Industrial Zones (QIZ) protocol has enabled Egypt to increase its exports of ready-made garments and textiles to the United States of America.
- The current customs tariff regulations don't protect spinning, weaving and ready-made garments' products sector in Egypt.

Recommendations

General recommendations

- 1- Emphasize the importance of removing tariff and non-tariff barriers imposed on the imports of intermediate and capital goods.
- 2- Adopt an integrated approach to trade liberalization that focuses on trade in services (transportation, insurance, freight, and communications) along with liberalizing the movements of goods.
- 3- Adopt supportive policies designed to improve the local and foreign investor to finance, small and medium enterprises.
- 4- Investing in human capital to improve the quality of technical skills and innovation capabilities among graduates.
- 5- Reform customs outlets by applying the updated technology methods.
- 6- Adoption of international standards of accepting goods at customs outlets.

7- Attracting foreign direct investment especially that contributes to increasing the participation of countries in global value chains. In addition, granting all production units that participate in global value chains tax advantages related to the volume and value of exports, such as applying the regressive tax system.

Garments- industry Recommendations

- Support the cotton sector and provide it with the necessary investments for infrastructure, development and modernization projects.
- Continuous state involvement in marketing the cotton crop, along with cooperative societies and major traders to help farmers if they are unable to sell their products. The government's participation in taking the responsibility of the loss that resulted from natural or economic conditions.
- Expand the cultivation of short-staple cotton in the new lands to cover the needs of local factories and limit the imported products.
- Activate the role of cooperative societies for promoting cotton products.
- Identify the needs of the industrial sector in the ready industrial zones and meet it, remove all the obstacles facing the industrial sector, especially the spinning, weaving and ready-made garments sector, and increase the number of skilled and trained Egyptian workers during all production stages.
- Reduce the percentage of the Israeli component in the Egyptian QIZ products to 8%, similar to its counterpart in the Jordanian QIZ Agreement to avoid price increase. There is fear among some Egyptian factories that Israel might abuse the prescribed percentage to raise prices.

Suggested Policies

- Activating the role of existing institutions and organizations designated for developing the textile industry, and by opening up external markets to their exports, for instance: the Industrial Modernization center and Textile Consolidation Fund.
- Modernizing the industry is of a great importance, in which the textile industries must receive sufficient attention from the industrial modernization program.
- The significance of cooperating with factory owners, more effectively, to support and develop the textile industries in El Mahalla Al-Kubra, and grant concessional loans and support the establishment of a training center for these industries to have skilled workforce.
- The importance of supporting and developing the Productive units and Cooperative Society for Spinning and Weaving in El Mahalla Al Kobra, which includes many small

and medium-sized factories; about 1000 to become a united entity or cooperative union capable of coordinating efforts to create a competitive product in foreign markets.

- Emphasis placed on the establishment of training centers for all the textile industries' disciplines, to create products corresponds to the needs of local and international markets.
- Simplifying the administrative procedures for initiating SMEs in textile industries, reducing administrative burdens as taxes and customs to reduce number of informal productive activities and provide technical support for modernization and development.
- Emphasize on the establishment of textile industries database, as well as a website designated for facilitating communications and activating trade agreements and creating marketing opportunities for textile and clothing factories and other productive activities associated with this sector.
- Reconsidering what facilities processing natural raw fibers of cotton and linen charge for their service in a way that achieves justice in distributing the return between the different stages in the spinning and weaving industry.
- Establishing a fund to estimate and balance prices among various production and manufacturing cycles within the spinning and weaving industry, starting with the production of raw fibers and ending with the production of textiles and ready-made clothes.
- Reconsider the recent customs reductions, by making it regressive as the stages of industrialization progress, to avoid competition between the national product and the imported one.
- Quick resolving for debt problems and financial issues and develop textile companies in the public sector and bring these industrial products into a competing environment with growing production rates.
- Encourage investments to introduce modern technology into the textile, dyeing and processing industry and give special privileges to this sector.
- Prioritize investments that achieve balance of community's needs by expanding the production capacities of industrial fibers, premium industrial threads, and polyester-blended yarn.
- Focusing on the implementation of investments that achieve import substitution policy, especially in the field of industries feeding the ready-made garments (sewing threads and lining fabrics).
- The need for institutions concerned with investment to develop realistic marketing plans and programs aimed at attracting investments to Egypt, creating programs that encourage factories and companies and equipped industrial zones to open new markets, and not focusing solely on the U.S. market.
- It is necessary to focus on research and development (R&D) with the aim of reviewing the available designs and technology, increasing the efficiency of production processes,

improving existing products and creating new products in order to meet competitors and the new consumer needs.