

Challenges Facing Textile Industry in Egypt

“Barrier for Exporting”

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Abstract

The importance of the textile industry in the economy of Egypt is very high. The garments manufacturing sector contributed 3% to GDP, employed about one-third of the industrial labor force and provided annual exports worth around \$2.6bn, accounting for 15% of all non-petroleum exports. **(1)**

One of the impoverished nation's biggest industries. Currently this industry is facing great challenges in its growth rate. The major reasons for these challenges can be the global recession, unfavorable trade policies, internal security concerns, the high cost of production due to increase in the energy costs, different safety issues, etc. Depreciation of Egyptian Pound that significantly raised the cost of imported inputs, rise in inflation rate, and high cost of financing has also affected seriously the growth in the textile industry. As a result, neither the buyers are able to visit frequently Egypt nor are the exporters are able to travel abroad for effectively marketing their products. (Egypt's Qualified Industrial Zone (QIZ) program, allows products manufactured in an Egyptian QIZ to be exported to the US at a tariff rate of zero. The textile and clothing industry has taken the greatest advantage of the program, exporting more than \$800m worth of woven and knitted clothing to the US in 2014. In 2011 over 95% of Egypt's QIZ exports consisted of garments and linens). **(2)** With an in-depth investigation it was found that the Egyptian textile industry can be brought on top winning track if government and others individuals takes serious actions in removing or normalizing the above mentioned. Additionally, the government should provide subsidy to the textile industry, minimize the internal dispute among the exporters, (The US remains the most popular export destination for Egyptian textiles, receiving 53.5% of ready-made garments, followed by the EU, with 31.7%) **(3)**. The country should withdraw the withholding and sales taxes etc. Purchasing new machinery or enhancing the quality of the existing machinery and introducing new technology can also be very useful in increasing the research and development (R and D) related activities that in the modern era are very important for increasing the industrial growth of a country.

Keywords:

Exports Barriers, economic growth, global recession, industrial challenges, market competitions, and production rate.