

Egypt's Textile Sector Must Invest in Weaving and Dyeing Ventures – Says ERA 2013

Addis Ababa, Mar. 25, 2013 – Egypt needs to direct more investments into weaving and dyeing of local fabrics instead of exporting the raw material, thereby limiting its comparative advantage in the textiles industry, says a new report.

Interest in this segment of the industry is low because of the high cost of initial investment and long waiting period before turning a profit. This makes investors, including state actors, to venture instead into the finished products end of the business where the country faces direct competition from China, India, Pakistan, Bangladesh and Turkey, according to this year's Economic Report on Africa co-authored by the Economic Commission for Africa (ECA) and the African Union.

“Many investors are more interested in ready-made garments because the initial cost of investment is lower and the return on investment is usually faster,” it says. “There are no clear policies or strategies that address increasing local value addition in terms of local content or local processing.”

The theme of this year's report is “Making the Most of Africa's Commodities: Industrializing for Growth, Jobs and Economic Transformation.” It argues for a commodity-based industrialization for African countries if they are going to use their abundant resources to transform into a global economic power.

Egypt's textile industry produces a wide range of fibre-based products, including raw cotton, yarns, fabrics, garments and readymade textiles. It has the only fully vertically integrated textiles industry in its region with the entire production process -- from the cultivation of cotton to the production of yarns, fabrics, and ready-made garments— carried out domestically, the report adds.

Among other things, the report also points out that linkages between the upstream cotton suppliers and downstream textile sellers are important determinants of the sector's long-term competitiveness.

Amid increasing global competition, Egypt's textile industry is considered to be of paramount importance to the economy. It not only employs more than half a million Egyptians, but is also a crucial foreign exchange earner.

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