

# Shall Egypt Protect its Textile Sector? A CGE Perspective

**Elizabeth Schaefer**  
**Sheng Lu**

August 25, 2012

# Outline

- Background
- Research Question
- Methodology
- Results and Discussion
- Conclusions and Implications

20th Annual Symposium  
Course in Global Text Analysis  
DO NOT QUOTE/CITE

# Background

- Doha round (DDA) requires significant tariff cuts
- Proposed tariff cuts may hurt the Egyptian textile industry
- The Egyptian textile industry, with strong political influences, pushes for trade protection (such as an import tariff rate increase)

# Research Question

- Is it economically rational for Egypt to protect its textile sector after Doha liberalization?

20th Annual Summer Course in Global Trade Analysis - DO NOT QUOTE/CITE

# Methodology

- **Baseline:** Minor (2006)+Tax Replacement
- **Shock:** 50% `tms("Textile",REG,"Egypt")*`

\*Note: also considers tax replacement

# Results and Discussions

- The Egyptian textile industry
- Egypt national economy
- Other heavily affected sectors in Egypt

# Results and Discussions:

## *The Egyptian textile industry*

	Doha with tax replacement	Protect the textile sector	Difference
<b>Trade</b>			
Imports(Market Price)	827.40	758.16	-69.24
Exports(Market Price)	534.81	523.81	-11.00
Balance (Market Price)	-292.59	-234.35	58.24
<b>Endowments</b>			
Land	0.15	0.15	0.00
Unskilled Labor	646.38	658.97	12.59
Skilled Labor	104.32	106.35	2.03
Capital	1,872.33	1,908.56	36.23
Natural Resources	0.00	0.00	0.00
<b>Output</b>			
Total Output	6,579.75	6,719.47	139.72
Output for Domestic Consumption	6,044.94	6,195.66	150.72
Output for Exports	534.81	523.81	-11.00

# Results and Discussions: *Egyptian National Economy*

		Doha with tax replacement	Protect the textile sector	Difference
<b>Welfare</b>			+30.20 from Doha scenario	
<b>Trade</b>				
	Imports (Market Prices)	23,834.57	23,797.01	-37.56
	Exports (Market Prices)	20,738.45	13,919.94	-6,818.51
	Balance (Market Prices)	-3,096.12	-9,877.07	-6,780.95
<b>GDP</b>		81,198.47	81,331.91	133.44
<b>Endowments</b>	Unskilled Labor	26,819.37	26,895.31	75.94
	Capital	40,376.58	40,449.33	72.75

# Results and Discussions: *Heavily Affected Sectors*

20th Annual Short Course Global Trade Analysis - DO NOT QUOTE/CITE

---

	<b>Doha with tax replacement</b>	<b>Protect the textile sector</b>	<b>Difference</b>
<b>Apparel</b>			
Exports	671.34	657.41	-13.93
Import	2,260.36	2,267.83	7.47
Output	6,788.97	6,762.68	-26.29

---

# Results and Discussions: *Heavily Affected Sectors*

Share of Textile Input as Percentage of Production Cost

	Textile	Apparel
Percentage (NVFA)	24.4%	19.2%

Price of supply of Textiles increased by **34.5%** after the shock.

# Conclusions

- Egyptian textile sector would benefit from protection
- Impacts on Egyptian national economy is mixed
- Egyptian apparel sector is negatively impacted

# Implications

- The policy maker needs to distinguish between sectoral interests and national interests
- Sectoral trade protection has ripple effects