Shall Egypt Protect its Textile Sector? A CGE Perspective

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Outline

- Background
- Research Question
- Methodology
- Results and Discussion
- Conclusions and Implications
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)
Is it economically rational for Egypt to protect its textile sector after Doha liberalization?
Methodology

- **Baseline**: Minor (2006) + Tax Replacement
- **Shock**: 50\% $\text{tms("Textile",REG,"Egypt")}$

*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

<table>
<thead>
<tr>
<th></th>
<th>Doha with tax replacement</th>
<th>Protect the textile sector</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Imports (Market Price)</strong></td>
<td>827.40</td>
<td>758.16</td>
<td>-69.24</td>
</tr>
<tr>
<td><strong>Exports (Market Price)</strong></td>
<td>534.81</td>
<td>523.81</td>
<td>-11.00</td>
</tr>
<tr>
<td><strong>Balance (Market Price)</strong></td>
<td>-292.59</td>
<td>-234.35</td>
<td>58.24</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Endowments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land</strong></td>
<td>0.15</td>
<td>0.15</td>
</tr>
<tr>
<td><strong>Unskilled Labor</strong></td>
<td>646.38</td>
<td>658.97</td>
</tr>
<tr>
<td><strong>Skilled Labor</strong></td>
<td>104.32</td>
<td>106.35</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>1,872.33</td>
<td>1,908.56</td>
</tr>
<tr>
<td><strong>Natural Resources</strong></td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Output</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Output</strong></td>
<td>6,579.75</td>
<td>6,719.47</td>
</tr>
<tr>
<td><strong>Output for Domestic Consumption</strong></td>
<td>6,044.94</td>
<td>6,195.66</td>
</tr>
<tr>
<td><strong>Output for Exports</strong></td>
<td>534.81</td>
<td>523.81</td>
</tr>
</tbody>
</table>
## Results and Discussions: Egyptian National Economy

<table>
<thead>
<tr>
<th></th>
<th>Doha with tax replacement</th>
<th>Protect the textile sector</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welfare</td>
<td>+30.20 from Doha scenario</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imports (Market Prices)</td>
<td>23,834.57</td>
<td>23,797.01</td>
<td>-37.56</td>
</tr>
<tr>
<td>Exports (Market Prices)</td>
<td>20,738.45</td>
<td>13,919.94</td>
<td>-6,818.51</td>
</tr>
<tr>
<td>Balance (Market Prices)</td>
<td>-3,096.12</td>
<td>-9,877.07</td>
<td>-6,780.95</td>
</tr>
<tr>
<td>GDP</td>
<td>81,198.47</td>
<td>81,331.91</td>
<td>133.44</td>
</tr>
<tr>
<td>Endowments</td>
<td>Unskilled Labor</td>
<td>26,819.37</td>
<td>26,895.31</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td>40,376.58</td>
<td>40,449.33</td>
</tr>
</tbody>
</table>
# Results and Discussions: Heavily Affected Sectors

<table>
<thead>
<tr>
<th>Apparel</th>
<th>Doha with tax replacement</th>
<th>Protect the textile sector</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>671.34</td>
<td>657.41</td>
<td>-13.93</td>
</tr>
<tr>
<td>Import</td>
<td>2,260.36</td>
<td>2,267.83</td>
<td>7.47</td>
</tr>
<tr>
<td>Output</td>
<td>6,788.97</td>
<td>6,762.68</td>
<td>-26.29</td>
</tr>
</tbody>
</table>
Results and Discussions: Heavily Affected Sectors

<table>
<thead>
<tr>
<th>Share of Textile Input as Percentage of Production Cost</th>
<th>Textile</th>
<th>Apparel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage (NVFA)</td>
<td>24.4%</td>
<td>19.2%</td>
</tr>
</tbody>
</table>

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
The policy maker needs to distinguish between sectoral interests and national interests

Sectoral trade protection has ripple effects