

# China's Exports to Egypt: Does it Enhance or Inhibit Employment in the Egyptian Industry Sector<sup>1)</sup>?

**Nashwa Mostafa Ali Mohamed**

*Assistant Professor in Economics and Foreign Trade*

*department- Helwan University-Egypt*

*Associate Professor in Economics Department- King Saud  
University-KSA*



## I. Introduction:

China is one of the most important exporters for Egyptian market, where China fell in the first rank internationally in terms of the total volume of imports into Egypt in year 2013 (UNCTAD). On the other hand, Egypt is considered, for China, an important market for the disposal of its surplus production in the Arab region. Egypt was in the third rank among the most important Arab importers from China, after the United Arab Emirates and Saudi Arabia, which receives 9.3% of the total China's exports. (Arab Association for Industrial Development and Mining, March 2012). demand for labor.

There are two probable effects to the large share of China's exports on the Egyptian market. The first one, it is competing domestic industries, where the China's exports have a high competitive advantage of low price, which could adversely affect the industrial output, and the demand for labor.

The second one, it is complementary to the domestic industries, where imported primary and intermediate goods used as inputs for the domestic production, thus widen the investments projects that, in turn, need to employ more labor. Therefore, the reduction of these imports leads to drop in production and employment level.

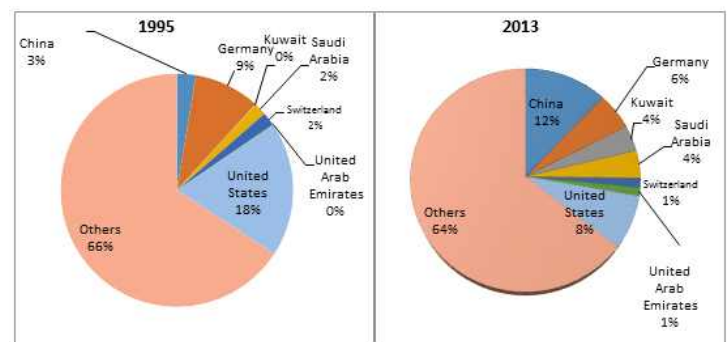
Upon the above, this paper aims to answer the following questions:

- What is the impact of China's exports on employment level in the industry sector in Egypt? The answer on this question may benefit as a guide to decision-makers and economic policies in recognizing the effects of the China's exports on the Egyptian economy, to avoid any adverse effects as a mean of promoting the value of exports to the Egypt.

## II. Importance and Structure of China's exports to Egypt:

The importance of China exports to Egypt have been increased amongst other countries exporting to Egypt, where the share of China's exports raised from 3% up to 12% between 1995 and 2013, that illustrated in figure 1, to be ranked first in 2013 as it is shown in table 1. This reflects accelerated economic growth of China, the raising competitive advantage of the China's exports and the growth of trade relations between Egypt and China.

**Figure 1. The Comparative importance of the China exports to Egypt**



Source: Author calculation depending on: UNCTAD

1) Industry sector is defined according to International Standard Industrial Classification (ISIC) rev.4 to level 6. (CAMPAS)

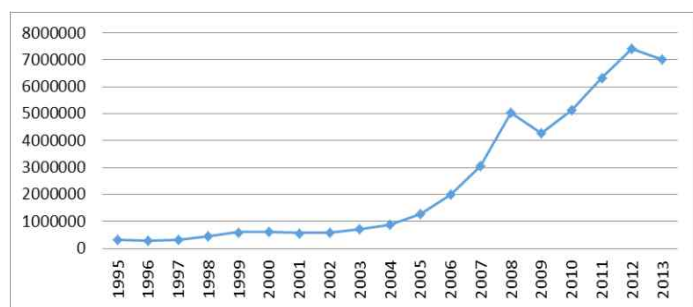
**Table 1. The Rank of Importers and Value of Imports to Egypt (Thousands USD)**

Rank	1995		Rank	2013	
1	United States	218,2577	1	China	7,021,017
2	Germany	107,4927	2	United States	4,545,299
3	Italy	812,877.6	3	Germany	3,156,946
4	France	786,708.4	4	Italy	3,109,759
5	Japan	473,646.8	5	Russian Federation	2,054,684
6	United Kingdom	405,358.2	6	France	1,648,708
7	Russian Federation	337,200.7	7	Korea, Republic of	1,346,936
8	China	309,010.9	8	Netherlands	1,337,337
9	Netherlands	307,208.4	9	United Kingdom	1,216,605
10	Korea, Republic of	292,383	10	Japan	1,110,183

Source: Author calculation depending on: UNCTAD

The increasing relative importance of Chinese imports proved by the continuous evolution of the value of these imports during the last two decades, as illustrated in figure 2.

**Figure 2. Development of China Exports to Egypt during 1995-2013**



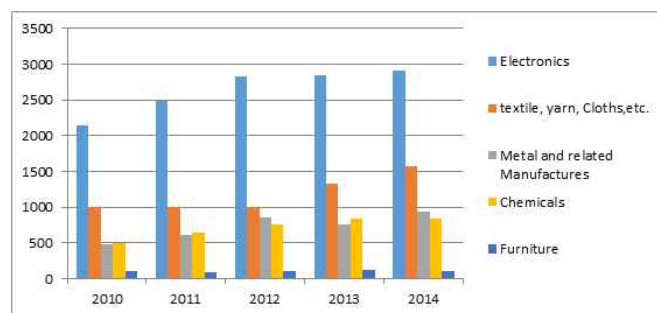
Source: United Nations, *Commodity Trade Statistics Database*.

China's exports increased from 439 million dollars in 1995 to about \$ 4.4 billion in 2007, which witnessed in November three protocols of cooperation between Egypt and China in the field of trade and industry (Ministry of Trade and Industry, 2009).

As well as the reduction in the imports customs in 2007 in context of Egypt's implementation of the WTO agreement, where it was about 21% for engineering and electronics products and extended to 47% for Cloth, Yarn and Textiles (Egyptian Ministry of Industry and Foreign Trade, 2007). As a result, the volume of China's exports rose in 2008 to \$ 5.9 billion, and then declined slightly because of the global financial crisis in 2009 to \$ 5.1 billion, but it restored the increasing trend in 2012, to reach \$ 7.4 billion, supported by signing on many protocols of economic cooperation between the two countries in this year. However it declines slightly in 2013 to \$7.0 billion because of the decline in Egyptian real GDP from 3.3 in 2012 to 1.5 in 2013 (Annual report of Central Bank of Egypt, 2013) this decline may due to political instability in 2013<sup>2)</sup>.

Reference to the official statistics on the structure of China's exports to Egypt, The imports of manufactured goods<sup>3)</sup> were exceeded the imports of primary commodities<sup>4)</sup>, as the volume of the first was 7954.86 million USD compared to 404.82 million USD for the second in 2013 (UNCTAD). Amongst the manufactured imports, electronics constitute 45% then textiles, yarn and clothing, 22%, in average during 2010-2014 as noticed from figure 3.

**Figure 3. The Most Imported Product from China to Egypt**



Source: Author calculation depending on: Ministry of industry and trade, Egypt.

2) Han Ping, the Counselor of Economics and Commercial Affairs, Embassy of China in Cairo, has declared that the trade exchange between Egypt and China is about \$ 11.6 billion in 2015, 90% of the volume of trade is exports from China to Egypt.

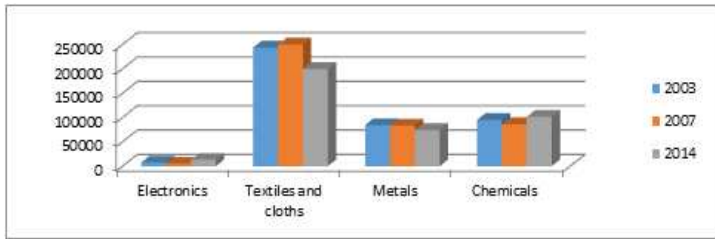
3) SITC 5 to 8 less 667 and 68)

4) (SITC 0 + 1 + 2 + 3 + 4 + 68 + 667+ 971)

III. Employment in the similar domestic products to the China’s Exports:

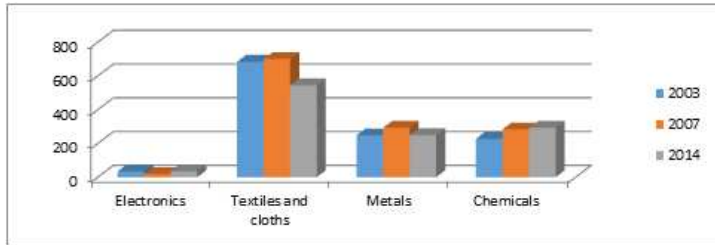
To investigate the influence of China’s exports on the employment level in the Egyptian manufacturing sector, it is useful to analyze numbers of employees in similar domestic industries. Number of employees in both public and private sectors, in the years 2003, 2007, 2014, can be followed in figure 4, which indicates that the industry of textiles and cloths has the highest number of employees, then, chemicals, metals, electronics, respectively. It is also obvious that the number of employees decreased in textiles and metal but not so for the other two industries. This synchronized by almost a same change in number of factories, especially between years 2007 and 2014, as shown in figure 5.

Figure 4. Number of Employees in Egyptian industries.



Source: Author Calculations depending on: CAMPAS, Industrial production Bulletin.

Figure 5. Number of Factories in Egyptian industries.



Source: Author Calculations depending on: CAMPAS, Industrial production Bulletin.

Therefore, we can conclude that the China’s exports adversely affected the employment in textiles and cloths industry in 2014 in comparable with 2003 and 2007, and somewhat the metals industry, however the employment rose in the other two industries. To prove that this compensation absorbed the surplus employment from the former industries, we should to follow the total employment number in the industry sector.

Figure 6. The ratio of employees in industry sector to total in Egypt during 1989-2010

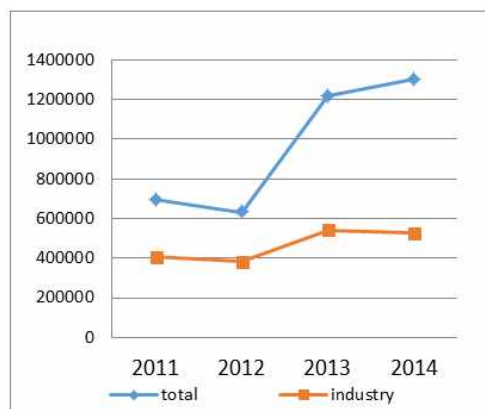


Source: International Labour Organization (ILO), *Key Indicators of the Labour Market (KILM)*, Statistics Database Online.

It is remarked from figure 6 that employment was not negatively affected by the increasing in the China’s exports in the years came after 2003 but this relation appeared to be positive in most years before 2003.

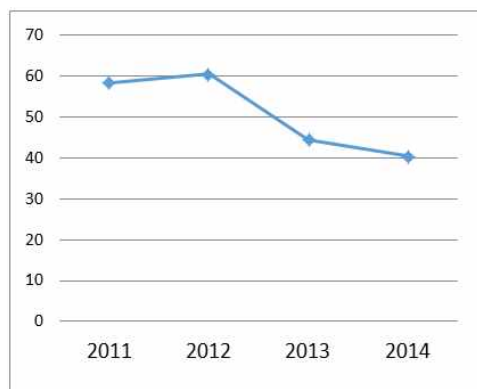
However, the decline in number of industry employees in year 2012, as it is obvious in figure 7, could be explained by "25 January" revolution in 2011 and its consequences, but it improved in the next years. From other side, the decline in the ratio of employment in industry to total employment (as shown in figure 8), followed by a decline in the number of factories from 3103, in year 2012, to 2704 and 2507 in years 2013, 2014. This decline, despite of the rise in total employment level, may indicate that employees moved from industry sector to other sectors because of the competition of the China’s exports.

**Figure7. Total Employees and the employees in industry**



Source: Author calculation, depending on: CAMPAS.

**Figure 8. Ratio of industrial employees to total employee**



Source: Author calculation, depending on: CAMPAS.

in this paper concluded that China's exports have almost a positive influence on the industry sector in Egypt, especially during the period (2003- 2010). This may basically due to the fact that the highest percentage of these exports are from manufactures like, electronics and machinery equipment that Egypt has disadvantage in producing them. In the same time, Egypt is in need to these imported products as inputs for domestic production.

However, the situation was not so for years that followed year 2010, especially in 2014 where there was a decline in the ratio of employment in industry sector to the total, which may due, beside the political instability, to the increase of the China's main exports specifically, textiles, yarn and cloths that employs the highest number of employees in Egypt.

Accordingly, the policy makers in china should be aware that jobs loss in that important sector would lead to a decline in income; finally, it will negatively affect the demand for China's exports. Therefore, avoiding the adverse influence of the China's exports on the Egyptian economy is vital for economic policy makers to consider as a mean to promote trade exchange in both countries without harming the Egyptian interests.

#### IV. Conclusion:

The paper aimed to recognize if the China's exports have adverse influence on an important Egyptian economic indicator which is the employment level that may indicates to the ability of economy to produce, export, in addition, to the prospected level of income per capita, prosperity of people and the ratio of social crimes.

Although, most of the previous literature concluded that China's exports had adverse effects on the imported countries (Bloom et al., 2008; Onaran, 2008; Alvarez and claro, 2008; and Donoso et al., 2012); the analysis