



taking place in that sector at all and it's not able to compete in world markets," says Nassar.

Attracting investment is therefore crucial to the development of the industry, particularly in light of the trend of the migrating production from Europe to more competitive regions.

"The textile industry generally speaking is migrating from Europe to the south," says Nassar. "Energy and labor costs are uncompetitive [in Europe]. Labor costs are uncompetitive. There's no land to expand."

Egypt is contending with the likes of India, Pakistan and Turkey to take over production from Europe, but the [battle](#) is not restricted to the end product since competition for ready-made garments may threaten upstream industries including spinning, weaving, dyeing and even cotton cultivation.

"We'd rather [European producers] come to Egypt than go to Pakistan, because they're going to move from Europe anyway," says Nassar. "They're going to buy the cotton from Pakistan. They're going to buy the yarn from Pakistani companies. Why do that there? Why not have it here, right next door to us, and keep the value chain in the country?"

In order to encourage investment in Egypt, the government has earmarked the extension of the fourth industrial zone in Borg El-Arab, an area of 1.2 million square meters, as an industrial cluster for textiles.

"An industrial cluster is focused on a certain industry and tries to serve this industry to the best," says Amr Assal, chairman of the Industrial Development Authority. "The industry is located geographically in the same zone. This encourages the feeding industries to be there next to the manufacturer."

SETCORE is currently the only manufacturer that is up and running in the zone, with a \$25 million spinning facility that is in the process of being expanded to double its present capacity of 3,000 tons of cotton per year and approximately \$25 million in sales.

Two European weaving companies, the Italian Albini and the Swiss Appenzell, have committed to established facilities in the zone. Pakistan's Seif Group will also build a spinning factory and a number of Turkish producers plan to move to the zone. Nassar expects the zone to attract a total of at least \$1 billion.

"It's much more attractive for an investor to [invest](#) in a cluster in his or her own industry than to just come and invest in a desert," says Nassar. "Instead of just offering real estate to investors, you offer a lot more than that. You offer an industry. You offer a network. You offer suppliers and customers."

The cluster may therefore address one of the key shortcomings of the textile industry in Egypt, and bring more modern technology and skills for intermediate processes while enhancing the quality of the end product and retaining for Egypt a higher value from such products.



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