

Czech University of Life Sciences Prague

Faculty of Economics and Management

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Bachelor Thesis

Foreign Trade: Case Study of Cotton in Egypt

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BACHELOR THESIS ASSIGNMENT

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Economics and Management

Thesis title

Foreign trade case study of Cotton in Egypt

Objectives of thesis

This thesis aims to analyze the effect of cotton as a commodity on Egypt and its economy. The thesis analyzes the cotton as a commodity and explains how different types of cotton have different economic values. The main aim of the thesis is to evaluate the importance of cotton commodity in Egypt and its contribution to the economy.

Methodology

The thesis consists of four chapters. The thesis has two main two parts, theoretical part and practical part. To reach the objectives of the thesis, competitive and descriptive methods are used in the thesis.

The proposed extent of the thesis

35- 50 pages

Keywords

Egypt , cotton, foreign trade, export, import

Recommended information sources

1. ČESKÁ ZEMĚDĚLSKÁ UNIVERZITA V PRAZE. INSTITUT TROPŮ A SUBTROPŮ, – JENÍČEK, V. – KREPL, V. International trade and developing countries. Prague: Czech University of Agriculture, 2006. ISBN 80-213-1464-8.
2. GANDOLFO, G. International finance and open-economy macroeconomics. Berlin: Springer, 2002. ISBN 3-540-43459-3.
3. A Political Economy of the Middle East. Alan Richards (2007). ISBN-13: 978-0813343488

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I declare that I have worked on my bachelor thesis titled "Foreign trade: Case study of cotton in Egypt" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

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Foreign Trade: Case Study of Cotton in Egypt

Abstract

Cotton is soft fiber that grows into a ball or protected case. The fiber is almost pure cellulose. Egyptian cotton has been one of Egypt greatest competitive advantages in market for the last three centuries with marvellous reputation throughout the world for being the best cotton for its strength and softness. Around 96 percent of Egypt is desert leaving only 3 percent of land is arable. However, Egypt sees great results as agriculture makes up 1/7 of the whole GDP and employs about 32 percent of working citizens. It is the largest producer when it comes to long staple cotton, but total production of Egyptian cotton is just a small fraction of world cotton yields.

Cotton industry is one of the major industries that supports Egyptian economy, though the quantity of cotton exported is low the quality is regarded as one of the best. The greatest challenge faced by Egyptian cotton is a financial one. In 2004, government of Egypt decided to liberalize the cotton sector, the main sector's problem became financing the cotton crop. For two centuries (1800-2001) cotton was the primary cash crop but that has changed in the last two decades due to the decline in the Egyptian cotton industry. From the beginning of 2017 the Egyptian government has been taking steps to stop and reverse this decline. The Ministry of Agriculture and Land Reclamation has been tasked to oversee the quality of cottonseed and handle the distribution of these seeds, also the government increased their reported indicative price for cotton. Hence, the production and exports of cotton used in luxury bedding has increased 63 percent between the first and second half of 2017.

Keywords: Trade, Egypt, cotton, Economy, Imports, Exports.

Zahraniční obchod: případová studie bavlny v Egyptě

Abstrakt

Bavlna je měkké vlákno vyrůstající z tobolky, která chrání semena bavlníku. Vlákno je takřka čistá celulóza. Egyptská bavlna byla na trhu po téměř tři století nejvíce konkurenceschopným artiklem díky své světové pověsti nejlepší bavlny, a to pro svou pevnost a měkkost. Přibližně 96 procent pevninského území Egypta je poušť, na ornou půdu tak zbývají pouhá 3 procenta. Přesto je velkým úspěchem Egypta, že při tak malém procentu ze svého území tvoří zemědělství v Egyptě 1/7 celého HDP a zaměstnává 32 procent pracujících. Co se týče dlouho vlákně bavlny je Egypt jejím největším producentem, avšak celková produkce egyptské bavlny tvoří jen malou část světové sklizně bavlny. Bavlněný průmysl je v Egyptě jedním z hlavních, který podporuje egyptskou ekonomii. Navzdory tomu, že množství exportované bavlny není vysoké, kvůli malému množství orné půdy, je kvalita vypěstované bavlny považována za nejlepší. Největší výzvou, které egyptská bavlna čelí, je výzva financování. V roce 2004, kdy egyptská vláda rozhodla o liberalizaci bavlněného sektoru, se hlavním problémem stalo financování sklizně bavlny. Po dvě století (1800-2001) byla bavlna primárně produkována jako plodina určená k zisku ("cash crop"), to se však změnilo v posledních dvou desetiletích, kdy odvětví bavlny začalo upadat. Od počátku roku 2017 proto egyptská vláda podniká kroky k zastavení a obrácení tohoto úpadku bavlněného průmyslu. Ministerstvo zemědělství a zúrodnování půdy bylo pověřeno dohledem nad kvalitou a zajištěním distribuce bavlníkových semen. Dále vláda také navýšila svou vyhlášenou orientační cenu bavlny. Díky tomu se produkce a vývoz bavlny používané pro luxusní povlečení zvýšily o 63 procent mezi první a druhou polovinou roku 2017.

Klíčová slova: Obchod, Egypt, bavlna, Ekonomika, Dovoz, Vývoz.

Table of content

1	Introduction	11
2	Objectives and Methodology	12
2.1	Objectives	12
2.2	Methodology	12
3	Literature Review	13
3.1	Foreign trade	13
3.1.1	Definition of foreign trade	13
3.1.2	Types of foreign trade	13
3.1.3	Development of foreign trade	14
3.1.4	Function of foreign trade	15
3.2	Importance of foreign trade	15
3.3	The growth of world trade	16
3.4	Foreign trade policy.....	16
3.5	Trade balance	17
3.6	Terms of trade	18
3.7	Trade theories.....	19
3.7.1	The Mercantilism	19
3.7.2	Absolute advantage	20
3.7.3	Comparative advantage	20
3.8	Barriers of foreign trade	21
3.9	History of cotton	22
3.9.1	Types of cotton	24
3.10	Cultivation of cotton production	25
3.10.1	Genetic modification	26
3.10.2	Organic modification.....	27

3.11	World cotton market.....	27
3.11.1	Cotton exporters.....	28
3.11.2	Cotton importers	29
3.12	The effects of price in cotton	29
3.12.1	development of price of cotton:	31
3.13	Global cotton balance	31
3.14	World Trade Organization (WTO).....	32
4	Practical Part	34
4.1	History of cotton in Egypt	34
4.1.1	Cotton industry in Egypt	35
4.1.2	Types of Egyptian cotton.....	37
4.2	Egypt's economy overview	38
4.2.1	Egypt's Gross Domestic Product (GDP).....	39
4.3	Cotton production and exports.....	41
4.3.1	Imports.....	44
4.4	Area of production and yield of cotton in Egypt	45
4.5	Competition in the market	47
4.6	Development of cotton in Egypt	48
4.7	Impact of WTO on Egypt	50
4.7.1	The impact of the WTO on exports and imports of Egypt	50
4.7.2	Main partners	52
4.8	Future of cotton in Egypt.....	52
5	Conclusion.....	54
6	References	56

List of graphs, table and figures

List of tables

Graph 1: Top ten exporter countries of cotton	28
Graph 2: Top ten importer countries of cotton	29
Graph 3: Development of price of cotton	31
Graph 4: Global cotton balance.....	32
Graph 5: GDP Per Capita of Egypt	40
Graph 6: Areas of Cotton production and exports in Egypt	41
Graph 7: Egypt's cotton production.....	42
Graph 8: Export countries 2017	43
Graph 9: Egypt cotton exports 2018.....	44
Graph 10: Egyptian cotton imports	45
Graph 11: Egypt cotton production per year	50
Table 1: Egyptian trade flows and balance 2013-2017	51
Table 2: Top trading partners of Egypt	52
Figure 1: Map of Egypt	38

1 Introduction

This thesis is about foreign trade in general and the roles that cotton have played in creating Egyptian foreign trade. It is also about following the history of cotton and its market, and how it shaped the global trade in the eighteenth and early nineteenth centuries. Moreover, this thesis focuses on the challenges that faces cotton sector in modern Egypt.

Furthermore, foreign trade is an essential part of any economy and therefore it is important to define its main concepts such as imports trade, export trade, and trade of balance. Moreover, cotton which is the second part of the thesis has a special status in the Egyptian economy. Since the early eighteenth century, it has been a great impact in the economic, political and social life of Egypt.

The thesis is going to introduce the history of Egyptian cotton, cotton production in Egypt and the reasons behind its declining. Through this thesis, many terms are clarified. For example, foreign trade as a cross-frontier between countries in merchandise and services, with variation between countries in their competitive advantage to provide specific merchandise providing the premise of a global division of labour based on exports and imports. Further, the scope of the topic is to trace the beginning of cotton industry in Egypt from a historical perspective to the current situation which had complex problems and need for more analysis and research to provide thorough proposals and solutions.

Therefore, this thesis attempts to do so by giving numbers of solution for the Egyptian cotton, for example, Egypt should maximize the cotton output and to invest more farmer's education and cotton farming technology. Moreover, deducing cotton production.

The thesis is structured into introducing methodology and objectivity. Afterwards, a detailed literature review consists of related terms over foreign trade. The second part is the practical one which reviews the Egyptian case. The last section will discuss the results and provide insights.

2 Objectives and Methodology

2.1 Objectives

This thesis aims to analyze and evaluate the effect and the importance of cotton as a commodity on Egypt and its economy. The thesis analyzes the cotton as a commodity and explains how different types of cotton have different economic values. Further, the main aim of the thesis is to evaluate the importance of cotton commodity in Egypt and its contribution to the economy. Moreover, the role WTO plays, and the factors that effecting cotton prices. In total trying to understand how the cotton industry function in Egypt and the affect it has on Egyptian economy.

2.2 Methodology

This work is divided in two parts being theoretical and practical. In these parts, a number of factors that makes up Egyptian cotton industry are being discussed and analyzed. Some of those factors are various type of foreign trade, foreign trade policy, trade balance, terms of trade, trade theories, history of cotton, cotton market, cotton exporters and importers, cultivation of cotton producers, barriers of international trade, effects of WTO on the trade, factors affecting price of cotton, cotton industry in Egypt, Egypt production and exports, area production and yields of cotton.

3 Literature Review

3.1 Foreign trade

3.1.1 Definition of foreign trade

Foreign trade is a cross-border or territorial trade in capital, goods and services. It is a substantial part of the Gross Domestic Product (GDP) in most countries. Although international trade has been present in much of history, in recent centuries its economic, social and political importance has increased. To satisfy their people's need, every country needs goods and services. Goods and services production require resource. Each country's resources are limited. It provides the goods and services that no country requires can produce. It must acquire what it cannot produce or produce under its requirements. It also sells goods in surplus quantities to other countries. For example, India purchases various kinds of goods and services and sells to other countries. No country is generally autonomous. Thus, it must be based on the import of goods that are either unavailable or in insufficient quantities from other countries. It can also export products that are in excess of quantity and are externally in high demand.¹

Trade means trade between two countries or more. International trade covers different currencies in various nations and is governed by the respective laws, rules and regulations. International trade is therefore, it is more complicated. While a former uneven distribution of resources among different countries was the prerequisite of foreign trade, today's value is increased by differentiated resource efficiency and applied technology.¹

3.1.2 Types of foreign trade

- **Import Trade:** means the purchase by country of goods from another country or the entry from foreign country to domestic country of goods and services. An importation is made by an external source into a competence, particularly across the national border. An importer is the party that takes the goods. An importation is

¹ http://www.yourarticlelibrary.com/foreign-trade/the-meaning-and-definition-of-foreign-trade-or-international-trade-explained/5972?fbclid=IwAR0-GIEsFeSPZYKUyFhVg5yxZ7wlO0l_6GvzcPa-5vmHiH7FZlCg7hDtEtQ

an export from the sending country in the receiving country. The financial transactions of international trade are defined by imports and exports.²

- **Export Trade:** refers to the sale by the country of goods to another country or the export by foreign country are goods produced in your own country and shipped for sale to another country. They can also be used to trade with another country if the country of origin needs a product from the country into which they are exported. It is simply the exchange of goods and services with other countries are often referred to in the international trade.²
- **Entrepot Trade:** Trade in warehouses is also referred to as re-export. the acquisition and then the sale of products from one country to another after certain processing operations. Trade in warehouses refers to trade in goods from other countries in one center. without paying for import duties in the warehouse trade, merchandise can be import and exported. Profit is possible in the warehouse trade because of favorable trade conditions. Ships that hesitate to travel through a long commercial route, for example, can sell the ships at the warehouse. The warehouse sells these products to ships on the other section of the route at a higher price.³

3.1.3 Development of foreign trade

- To overcome national resource base constraints.
- Expand domestic capacity and connect the domestic market to the rest of the world.
- Provides extra revenues at the expense of a difference in production costs at national and international level.
- Expand countries ' production capacity.
- It leads to an intensification of production specialization and to an increase on this basis.

² <http://kalyan-city.blogspot.com/2011/03/what-is-foreign-trade-types-and.html>

³ <https://definitions.uslegal.com/e/entrepot-trade/>

World trade is based on the external trade carried out by the various countries. Moreover, it is also known as the trade of paid imports and paid exports of goods with other countries. Foreign trade It is a channel for produced goods and services that a country can export to its frontiers for sale (exports), as well as for goods, services and other material and property elements which it buys from abroad in order to satisfy national requirements and resources for the manufacture and distribution of finished products (imports). Resource efficiency and output growth. The more advanced the domestic economy, the more diverse it is, and the more end products it sells in external markets, the more successful its external trade results in the more and more developing countries. The quality features of a national economy may therefore play a defining role in the development of external trade in one country or another.⁴

3.1.4 Function of foreign trade

Foreign trade not only has an important role for the economy of a country but also for companies and consumers. The conditional developable companies can expand the market to other countries and provide opportunities for healthy competition with that country's domestic products. In order to buy, compare and generate reasonable expenses, the imported goods help buyers. It promotes the development and growth of local enterprises in order to compete with products from abroad.⁵

3.2 Importance of foreign trade

Promotes World Peace by bringing countries closer to each other: It facilitates the transfer to developed countries of technology and other assistance. The economic relations resulting from trade agreements bring different countries closer together. External trade therefore creates a friendly climate to avoid conflicts and wars It promotes peace throughout the world as these countries strive for friendly relations between themselves.²

⁴ <https://blog.iplayers.in/foreign-trade-policy/>

⁵ <http://www.yourarticlelibrary.com/foreign-trade/foreign-exchange-market-and-its-important-functions/26067?fbclid=IwAR2gvSx1kpR9ekm6W1GDUzuwjLuS9W3MXXIeM5WgKFKBW5NSd3xiYeXlVg8>

Division of labor and specialization: International trade leads to the worldwide division of labor and expertise. There are countries with plenty of natural resources and that have a skilled manpower with export raw materials and import finished products. This provides benefits to all countries and leads to the division of work and expertise.²

Optimum allocation and utilization of resources: Unproductive lines can be removed, and resource wastage can be avoided due to specialization. In other words, only those goods that would give the highest return are channeled to the production of resources. Thus, the allocation and use of resources at international level are rational because of external trade.²

Raises standard of living of the people: Imports can make people's living standards easier. This is because people can choose new and improved products and services, they can improve their life's by consuming new and better goods.²

3.3 The growth of world trade

Economic growth has increased more rapidly than any other time in the history after the Second World War as trade barriers have gradually been reduced. World trade growth has grown faster than global output growth although global output has not increased (GIMWADE, 2000). The volume of world export trading amounted to about US\$ 61.81 billion in 1950.

3.4 Foreign trade policy

External trade activities are the subject of a set of laws and regulations in different countries around the world issued by competing governmental authorities, which liberate or remove the obstacles facing commercial activity at regional and international level to achieve some of the goals known as 'Trade policy'. The export and import surveillance procedures, as shares, taxes and supports, are therefore a part of the foreign policy and include the foreign exchange included in the instruments of foreign policy. Foreign trade policies are government actions aimed at increasing net exports by fostering exports or

limiting imports, especially tariffs, importation quotas and export subsidies. The local production of a nation increases, which increases national incomes and jobs, by increasing net exports and creation of a more "favorable" trade balance.⁶

3.5 Trade balance

The trade balance is the difference between the value of all goods and services and the goods and services imported by the country. It is the most important and largest part of a nation's accounts. An exporting country that does not import creates a positive trade balance, which is known as a trade surplus. When a country receives more than its exports, its trade balance is negative, known as a trade deficit. It depends on the current phase of a country economic cycle whether a trade deficit or surplus is a poor or good thing. In a growing stage, a trade deficiency is indeed a good thing, since prices remain low due to increased competition as more goods are imported.⁷

A trade surplus helps to create jobs and to increase demand for goods in a recessionary phase. Currency exchange rates, tax-driven trade restrictions, differences in costs of production among the exporting countries, and trade barriers are among the factors which affect the balance of trade. Due to recording and data collection issues, the balance of trade is very difficult to calculate. Furthermore, significant black-market activities lead not to an imbalance in the total of the world's balance of trade accounts, as some activities are recorded in one country.⁷

Examples of Balance of Trade

For financial year 2015 - 2016, Country X exports \$ 1 billion in goods and services, while during the same period imports \$ 1.5 billion in goods. This country therefore has an unfavorable equilibrium, since it imports more than exports. It is usually considered unfavorable because it demonstrates the small number and dependency of the country on foreign countries. Country X, due to its climate accentuating rubber cultivation, is a renowned player in the rubber industry. In addition, its export portfolio is largely shared.

⁶ http://www.amosweb.com/cgi-bin/awb_nav.pl?s=wpd&c=dsp&k=foreign+trade+policies

⁷ <https://www.investopedia.com/terms/b/bot.asp>

The political and business leaders are strongly focusing on it and ensuring increasing exports of rubber in the next few years. However, the cultivation of food grains, which was observed in the balance of trade figures for a given year due to its high import value, has become a threat. It is therefore important for policy - makers to concentrate mainly on the main centers of profit, but not at the expense of the essential requirements. This can make imports more expensive. In addition, the BOT data reflects the effectiveness of a nation in its previous key production factors and shows clearly the perspective with which a nation is moving.⁸

3.6 Terms of trade

Trade terms (TOT) represent the ratio of export prices to import prices of the country. How many export units must a single import unit be purchased? The ratio is calculated by dividing the price of the exportations by the price of the importations and by multiplying the result with 100.⁹

There are some factors that influence the terms of trade

- **Elasticity of Demand** Export and import demand elasticity of a country influences its trading conditions. If the export demand of a country is less elastic than its imports, trade terms are generally good because exports may be prices higher than imports. On the other hand, the terms of trade would be unfavorable if demand for imports were less elastic than demand for exports.¹⁰

- **Economic Development** The economic development has two types of effects: (a) the effect of demand: it refers to increasing import demand as a result of the growth of economic growth-related incomes; and (b) the effect of supply: It refers to the increase in supply of import replacements or imports of competition. The net impact of economic development depends on the magnitude of both.¹⁰

⁸ <https://www.myaccountingcourse.com/accounting-dictionary/balance-of-trade>

⁹ <https://www.investopedia.com/terms/t/terms-of-trade.asp>

¹⁰ <http://www.preservearticles.com/2011092013807/what-are-the-factors-that-influence-the-terms-of-trade.html>

- **Size of Country** Compared to a smaller country, a larger country tends to have lower trade terms. That is because the smaller country can reap the gains of the larger economies in world trade.¹⁰
- **Degree of Competition:** When there are many alternate sources of supply to a country with a monopoly of power for its exports, it has favorable trade conditions.¹⁰
- **Size of Population:** The demand for imports will increase in an overpopulated country. As a result, in this case the terms of trade in relation to the less populous or better populated countries tend to be unfavorable.¹⁰
- **Elasticity of Supply:** The nature of supply elasticity also has an important impact on the terms of trade of the country. If an export supply of a country is more elastic than imports, trade conditions are generally favorable.¹⁰

3.7 Trade theories

3.7.1 The Mercantilism

In Europe between the 16th and the 18th centuries, marketing theories had been developed. The main content of this theory is that every country seeks to make economic developments prosperous, it needs to raise the volume of foreign trade currency. Every country can profit only if the trading balance is positive (or export value is higher than import value). It is advantageous because the export import surplus is paid in silver and gold as a currency, a sign of wealth. The only means for a country without gold or silver mines is that nations have spread their wealth by employing their colonies around the globe in an attempt to control more trade and accumulate more wealth. It tried to increase its wealth by using raw materials from locations which now range from America to India. The British Colonial Empire was one of the more successful examples of this. France, the Netherlands, Portugal and Spain also succeeded in building large colonial empires which provided their governing nations with a wealth of wealth.¹¹

¹¹ https://saylordotorg.github.io/text_international-business/s06-01-what-is-international-trade-th.html

3.7.2 Absolute advantage

The ability to produce a good or service at lower costs per unit than other entity that produces the same good or service, whether an individual, a company, a region or a country. A company with an absolute advantage can produce a product or service using a smaller number of inputs or processes than another company that manufactures the same commodity or service. The absolute benefit is mostly an international trade theory, which shows that one country can produce a good more efficiently than another. Countries with the full advantage can choose to specialize in the production and sale of a particular good or service and use the funds generated by good or service in other countries to buy goods or services. As part of his division of labor doctrine, Adam Smith pioneered the idea of absolute benefit in late 18th century.¹²

An example: because China has loose labor laws, it manufactures textile at a low cost than any other country. On the other hand, Italy, in view of its large vineyards and climate, is producing wine at lower cost than any other country. If the working hour equiva to one monetary unit, then the textile prices in China and Italy are going to be 100 dollars and 150 dollars, respectively; wine prices in China and Italy are 130 dollars and 1970 dollars, respectively. Each country seeks to export at the lowest costs the product it produces and to import it at the lowest cost. China obviously aims to export and import textiles, while Italy is trying to export and import textiles. The absolute benefit for every country is that it produces at the lowest cost of labor and production. Companies work in the same way, produce and sell what benefits them most when they buy things that they cannot efficiently produce. Comparative advantage.¹³

3.7.3 Comparative advantage

The ability of the economy to produce goods and services at less than the cost of business partners. A comparative advantage enables a business to sell goods and services at low prices and to achieve stronger selling margins than its competitors. The law of comparative

¹² <https://www.investopedia.com/terms/a/absoluteadvantage.asp>

¹³ <https://www.myaccountingcourse.com/accounting-dictionary/absolute-advantage>

advantage is popularly attributed to the English political economist David Ricardo and his book 'Principles of the political economy and taxation' in 1817. (Robert M.Dunn, 2000)

In economics, when a country can produce goods or services at a lower opportunity cost than the other country, a comparative advantage arises. The comparative advantage theory was attributed to David Ricardo, a political economist, who wrote *The Political Economy and Taxation Principles* (1817). The theory of comparative advantage used by Ricardo to argue against the protective Corn Laws of Great Britain which reduced wheat imports between 1815 and 1846. The political economist argued for free trade that countries are better able to specialize in what they have a comparative advantage and to import the product that does not have a comparative advantage. (Robert M.Dunn, 2000)

Another examples: On an isolated island, two men live alone. They have to undertake several basic economic activities such as water transport, fishing, cooking, shelter construction and maintenance to survive. Youth, power and education are the first man. Faster, better, more productive. In all activities, he has an absolute advantage. The other man is old, weak, untrained. In all economic activities, it has an absolute disadvantage. The difference between the two is great in some activities; in others it is small. Although the younger man is absolutely advantageous in all activities, it is not in either person's interest to work alone as they can both benefit from specialization and exchange. The young man specializes in the work, whereas the old man concentrates on tasks where his productivity is less than that of young man, if he divides the work according to a comparative advantage. A similar arrangement will increase total production and benefit both of them for a certain amount of labor provided by both men.¹⁴

3.8 Barriers of foreign trade

A duty is the import tax that the federal government collects and raises for the consumer the price of the good. Tariffs, also known as duties or import duties, are usually targeted primarily at restricting imports and secondly at raising the income barrier of International trade. There is the same effect of tariffs and quotas to restrict imports and prevent foreign

¹⁴ <https://corporatefinanceinstitute.com/resources/knowledge/economics/comparative-advantage/>

competition for domestic producers. A tariff increases the foreign good's price outside the price of a market equilibrium, which reduces the demand and ultimately the supply of the foreign good. A quota limits delivery to a certain amount which increases the price beyond the level of market balance and thus reduces demand. The Government charges the import and the export tariff, respectively, to increase revenue and also to protect domestic companies from competition from foreign markets. The customer shall be charged for import goods if they are relatively cheaper. The Government charges the import of goods to protect the domestic companies against competition from foreign markets. It is an obstacle to free trade among countries.

There are two kinds of tariff:

Ad valorem tariff: A certain rate calculated on import items value. Tariff percentage.

Specific tariff: Depending on the type of goods, a certain amount is charged.

tariff quota

The amount of goods or services that can be exported or imported over a specified period, or in exceptional cases the value. Quotas are more effective than tariffs in curbing trade, especially when domestic commodity demand does not become sensitive to price increases. Since the impacts of quotas cannot be offset by foreign currency depreciation or by export subsidies, the international trade mechanism can be more disturbing than tariffs. Quotas can also be a coercive economic weapon, applied selectively to different countries. When the quantity imported under a quota is less than the quantity imported without a quota, the domestic price of that commodity may increase. In order to collect the difference between the higher domestic price and the foreign price, the Government does not maintain some systems of licensing importers, the import of such materials can prove a lucrative source.¹⁵

3.9 History of cotton

Nobody knows how old cotton is exactly. Scientists who searched Mexican caves found pieces of cotton bowls and cotton clothes that were 7,000 years of age or older. They also

¹⁵ <https://www.britannica.com/topic/quota#ref55894>

found the cotton itself to be very similar to the one grown today in America. Cotton was grown, spun and tissue in the Indus River Valley in Pakistan three thousand years BC. At about the same time, Egyptians from the Nile valley produced and wore clothing for cotton. Arab traders brought to Europe around 800 A.D. cotton cloth. Columbus found cotton in the Bahama Islands when he discovered America in 1492. Cotton was widely known worldwide by 1500. Seed of cotton is thought to have been plant in 1556 and 1607 in Florida and Virginia. By 1616, colonists had cultivated cotton along Virginia's James River. In England in 1730, Cotton was first spun by machinery. (Beckert, 2014)

The industrial revolution in England and the invention of cotton gin in the United States have paved the way for today's important cotton holding in the world. The patent for a cotton gin was granted by Eli Whitney, a native of Massachusetts, in 1793, although patent office records show that a machinist named Noah Homes could have built the first cotton gin two years before Whitney's patent was granted. The gin, short for the motor, can work by hand tenfold faster. The gin enabled the fast-growing textile industry to supply large numbers of cotton fiber. The value of the U.S. cotton farm increased from 150,000 dollars to over 8,000 dollars over 10 years. Cotton makes up 40 percent of the fiber used today. In 80 countries around 20 million farmers produce 44 million tons of cotton per year.¹⁶

White gold was once referred to as Cotton. It was a driving force behind the Industrial Revolution to design machinery to quickly turn it to pieces. The slave economy in the south of the United States and the indirect cause of American Civil War were responsible for the manufacture of these machines. The colonial economies kept making money from this in places like India and Egypt.¹⁶

Cotton was not used extensively until A.D in the production of cloth in Europe. Weavers mostly combined linen from the fifteenth century and even then. In the 12th century, raw cotton appeared in Italy. The cotton production center of the cotton industry in present-day Iraq, Mosul, was introduced by Arab peoples from India through Spain and Sicily. Traditionally, clothing was mainly made from linen, linen, and silk is beyond the wealthy's means.¹⁶

¹⁶ <https://www.cotton.org/pubs/cottoncounts/story/upload/The-Story-of-Cotton-73k-PDF.pdf>

English women took comfortable cloth garments made in India during the XVIII century. Arkwright and others realized that cotton in America could be grown and dissolved into cloth and thread in England. What is the southern USA now chosen because they are closer to Britain than India and have an ideal environment for cultivation.¹⁶

3.9.1 Types of cotton

Silk or rude, fluffy or fabricated, thick or pure, indestructible or luxurious, Cotton fabrics make them America's favorite for home and clothing design. Polyvalence, softness, breathability, absorption, performance and long lastingness are only a few of the qualities.¹⁷

1 Broadcloth: A strongly woven bright, cross - sectional cotton cloth. Poplin looks like. Use: shirts, blouses, decorations for the home.¹⁷

2 Chenille: A fluffy cotton yarn or fabric, with a stack around it, called caterpillar by a French word. Use: Lightweight as a covering for bedding and robes Heavyweight¹⁷

3 Chintz: Glazed fabric, often printed in floral or streak designs. Use: the English country style upholstery and curtains and romantic bedrooms.¹⁷

4 Jacquard: Tissue woven in the loom of jacquard, which makes elaborate, figured fabrics. Utilization: decorating textiles like wallpaper, brocade and damask.¹⁷

5 Matelassé: Double woven in different designs to create a three - dimensional look on a jacquard loom. Use: Outer beds and stylish towels.¹⁷

6 Velvet: A warp fabric with a short, densely woven cut pile that gives a soft, rich texture to the fabric Use: draperies, covers and apparel.¹⁷

¹⁷ http://blog.oregonlive.com/homesandgardens/2009/06/cotton_fabric_types.html

7. Sheers: The cotton shawls are all finely woven, lawns, organdy, sloppiness, dotted Swiss & sail. Some of them are crisp, some of them are soft. Utilization: Summer party dresses, ribbons, and slippers for wooden chairs for summer.¹⁷

8 Terry cloth: Made with a moisture - absorbing pile on one or both sides that covers the entire surface. Use: towels, dresses and coverings of cushion.¹⁷

9 Seersucker: A light cotton fabric with a woven crinkle, which results in tension alteration in the warp yarns. Use: the classic summer suit, also in sportswear, tapestries, slipcases.¹⁷

10 Sateen: A satin fabric with a smooth, brilliant surface. Striped sateen blends luscious stripes with matt finishing. Use: bed linen, panels, curtains.¹⁷

3.10 Cultivation of cotton production

The different cotton species produced as agricultural crops come from most subtropical places in the world and have been domesticated several times independently. Cotton can be found in tropical climates as in perennial treelike plant but is usually cultivated in temperate climates as a shrubby yearly. It is characteristically between 1 and 2 meters in height under culture while it grows in the tropics up to 6 meters (20 meters) tall. The plant will develop white blooms in a reddish color within 80–100 days after planting. In a few days the fertilized blossoms will fall off and replace them with small greens, known as bolls, which mature after 55–80 days. During that time there is a significant increase in the seed and its hair within the boll. The seed hair or cotton fiber of long fire is called lint, reaching a maximum length of about 6 cm (2.5 cm). Linters, fibers considerably shorter than seed hair and closer to the seed, come from a second development about 10 days after the development of the first seed hair. As the balls mature, they burst into a white fluffy ball with 3 or 5 cells, each with a weight of 7-10 grains.

The seed cotton (i.e., seed with seed hair) comprises two thirds of the weight of seed. The fibers consist of 87 to 90% cellulose (a plant substance of the carbohydrates), 5 to 8%

water and 4 to 6% natural impurities. Even if cotton can be grown between latitudes 30 ° N and 30 ° S, the quality of yield and fibers depends heavily on the climate and the highest quality of the cotton is obtained by rain or irrigation in the growing season and by dry and warm season in the seasons.¹⁸

3.10.1 Genetic modification

Currently genetically engineered cotton grows on 25 million hectares worldwide, mainly in India, China, Pakistan, The United States, South Africa, Burkina Faso, Sudan, Brazil, Argentina, Paraguay, Columbia, Mexico, Costa Rica, Burma, Australia and Egypt are substantially smaller in terms of genetically engineered cotton.

Genetic amendment (GM) consists of the addition to cotton of the bacterium *Bacillus thuringiensis* (Bt). Changed crop varieties with a (Bt) characteristic produce a protein toxic to insect larvae.¹⁹

GM has been welcomed in some countries, but other countries, especially in Europe, take a careful stand. This article aims to examine the contribution of GM crops to sustainable agriculture in developing countries. A series of case studies by resource poor cotton farmers in Makhathini Flats, South Africa, are presented for a six year period following short reviews of both issues and their connections, in particular the pros and cons of GHC as a factor in sustainability.²⁰

Expenditure, productivity and income data indicate that *Bacillus thuringiensis* (Bt) cotton is advantageous because it reduces pesticide costs and raises income, for example, and indicates that the advantage has remained for at least six years under the study.²⁰

¹⁸ <https://www.britannica.com/topic/cotton-fibre-and-plant>

¹⁹ <https://cban.ca/gmos/products/on-the-market/cotton/genetically-modified-cotton-cban-factsheet/>

²⁰ <https://journals.sagepub.com/doi/10.1177/146499340800900304>

3.10.2 Organic modification

At each stage of production, the specific objective of organic farming methods is to reduce the impact of cotton on the environment. These cultivation technologies advocate. For example, the use of natural pesticides composed of leaven decoctions or the use of the insect's appetite for the parasites which plant cotton. In fact, the first two plants make the soil fertile and cotton-ready. The use of gaseous seeds and fuel hungry agricultural machinery in favor of manual production, which creates jobs, are also prohibited in the organic cotton farming sector. The cultivation of organic cotton is a sustainable alternative. Worldwide more and more farmers and businesses are realizing the advantages and transforming cotton from conventional to organic or even biodynamic.²¹

3.11 World cotton market

Cotton is mainly made from its fiber, which is used universally as a raw material for textiles. In the global economy, cotton is an important commodity. Cotton is a highly traded agricultural commodity grown in more than 100 countries, with more than 150 countries engaged in exports or importations of cotton. Also, amongst the top seven producing countries are the six largest consumers. Cotton commerce accounted for approximately 30 per cent of global production between 1980/81 and 2004/05, but in 2005/06 this share increased to almost 40 %. Because global production of cotton inevitably varies year after year, supply variations can lead to large price fluctuations. The nominal value estimate of global exports declined to \$6 trillion during 2001/02 from a high of \$13 billion in 1994/95, which in the marketing season 2005/06 (August-July) was rebounding to about \$12 trillion. Compared with other commodities, world trade in cotton is not highly concentrated. Approximately 500 companies worldwide export the cotton.²²

Productions decreased by 5 percent, 19 percent, and 17 percent in nearly every major cotton producing countries led by Pakistan, the United States, and China. The sharp decline

²¹ <https://www.sustainabilityxchange.info/filesagri/1388-cotton-crop-guide.pdf?fbclid=IwAR1VNUnjNV49TFzjDoYSX6eskdyR1ScWxBwcSYIUorbrJcG8K-ssnacLBZw>

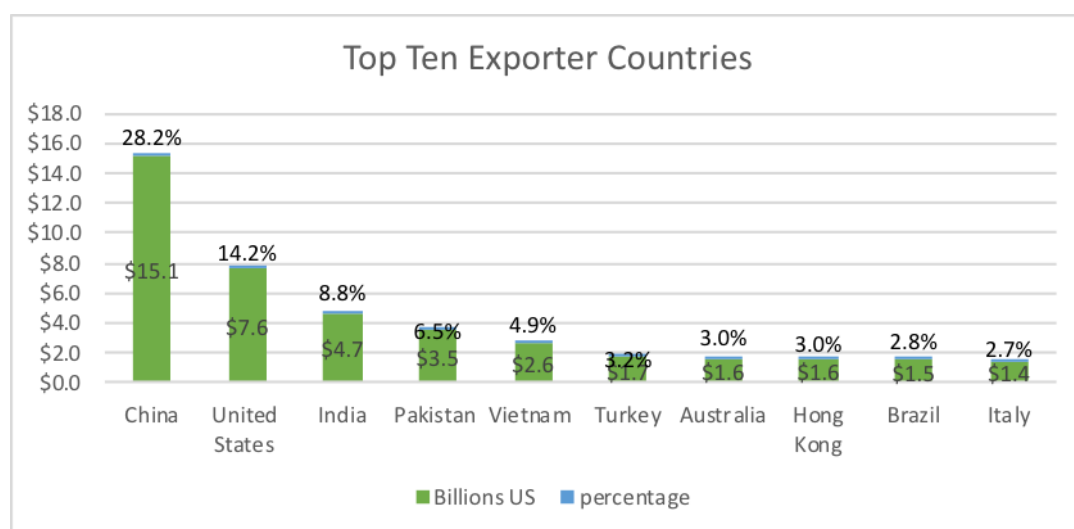
²² http://www.cottonguide.org/cotton-guide/the-world-cotton-market/the-importance-of-cotton-in-world-trade/?fbclid=IwAR1ycAwz-0WF_PPeEKpwUK5GttsOksm_O5yqaTWeQkCaBN4XOSHcmG4j2Ew

was due to bad weather, lower demand on the international market and political uncertainty. Driven by significantly lower price of oil synthetic fibers, the world cotton markets were placing huge competition pressures. Nevertheless, in the marketing year 2015 it is estimated that cotton mill consumption will increase in 2014 by 1 per cent to around 24.3 million tons (Mt). The estimate of the mill consumption in China and India remained stable at 7.7 Mt and 5.3 Mt, Pakistan grew by 2% and Bangladesh by 4%, while Vietnam grew 6%, with Chinese direct investment in mills of the two countries still growing at least 6%.²²

3.11.1 Cotton exporters

The cotton exporting countries are the largest in the world following the trade of cotton. They are also the best countries to cultivate cotton. If we add five largest countries, then 75% of the world's cotton is produced. Approximately the 10 largest producers. 1.usa 2 Pakistan 3, 87 percent share. 4. Russia. 5. China. 6. Australia. Sudan's seventh. 8. Paraguay. 9. Brazil. 10. Egypt. Mexico. About 10 countries which export cotton, the highest exporting countries are generally considered.²³

Graph 1: Top ten exporter countries of cotton



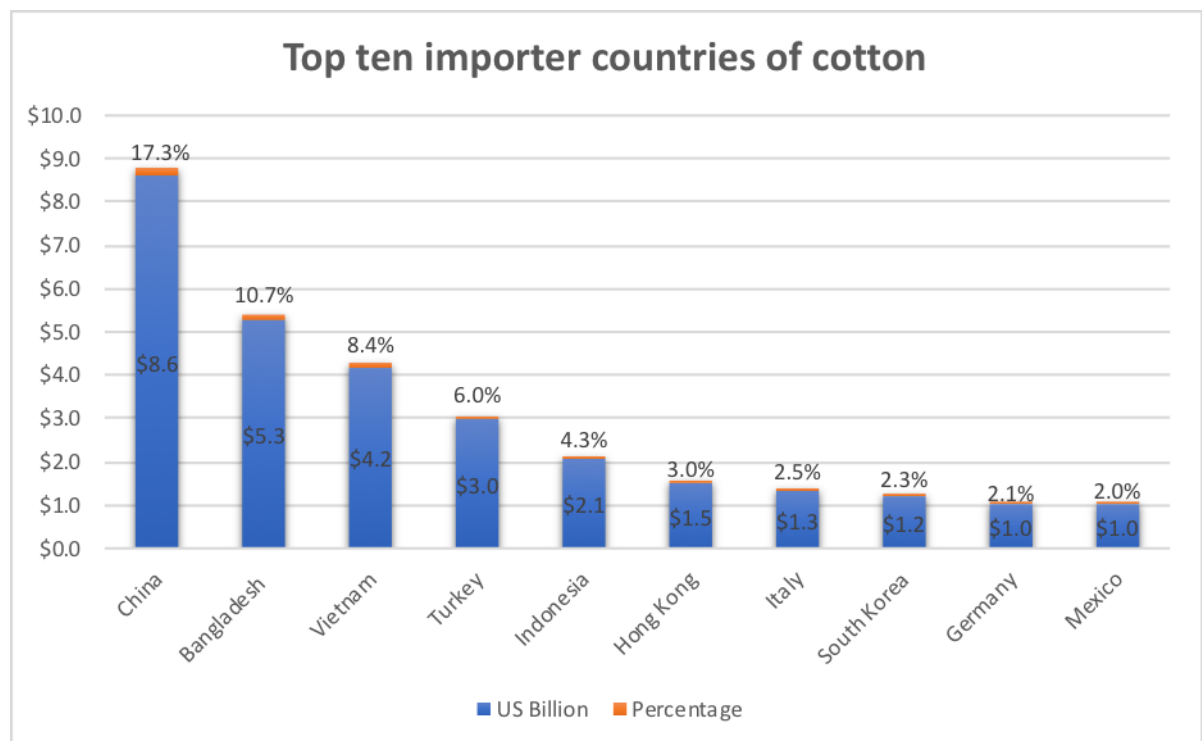
<http://www.worldstopexports.com/cotton-exports-by-country/?fbclid=IwAR12kKfNiZocMcLGO3yTDsewEWbRI-5SWJoSt2yw101bi4g9gqjvbZbs91g>

²³ <http://www.worldstopexports.com/cotton-exports-by-country/?fbclid=IwAR12kKfNiZocMcLGO3yTDsewEWbRI-5SWJoSt2yw101bi4g9gqjvbZbs91g>

3.11.2 Cotton importers

A country may have changed its position in the list but in most statistics the following indicate that the following are the most importers of cotton in the world. The country in which the textile industry grows rapidly imports cotton in general. In the subcontinent the textile industry is expanding daily in Bangladesh, India, Pakistan and Silence in particular, importing their raw fibers, depending on cotton production and demand for cotton use, from the other cotton exporting countries.²⁴

Graph 2: Top ten importer countries of cotton



http://textilefashionstudy.com/top-10-cotton-importers-of-the-world-cotton-trade/?fbclid=IwAR3OzzLMgZa3DXZ77nIuIDxzeZIUpmEJTcPKB-kx_nhT-ILCwEzwEybHaPY

3.12 The effects of price in cotton

For all the stakeholders, cotton prices are very important. All commodities prices depend on global demand and supply, and this especially applies to cotton, which is used worldwide. Other factors, such as government policies in major countries that produce and

²⁴ http://textilefashionstudy.com/top-10-cotton-importers-of-the-world-cotton-trade/?fbclid=IwAR3OzzLMgZa3DXZ77nIuIDxzeZIUpmEJTcPKB-kx_nhT-ILCwEzwEybHaPY

consume cotton, also have impact on global cotton prices as they alter scenarios for demand supply. Thus, it is very difficult to predict the future trend of cotton prices for all participants, and in particular for the millowners, and to get the right time and cost to buy cotton.²⁵

There are couple of factors that influence the price of cotton such as:

Economic Growth: A shaky economy tends to spend discretionary products like cotton linens, shirts and jeans on consumers. It can also replace cheaper, man made polyester clothing and cotton free clothing.²⁵

Government policies: In many cotton-producing countries, the insulation of their farmers and the textile industries they rely on external competition (see driverno.4) can have disproportionate effects on other global producers of cotton, as well as changes on these policies. For example, since the 1930s, the U.S. government has largely subsidized cotton farmers from other crops. These subsidies, however, distort global cotton flows.²⁵

The weather: Weather patterns changes resulting in a lack of rainfall and can have a significant impact on cotton production as a whole, particularly at a certain time in the planting cycle. Cotton needs lots of sunshine, fecund soil and no frost, preferably. Because cotton from its inherent subtropical habitat needs to be transplanted from 24-48 inches per year of water. As the production of cotton worldwide has progressed, adequate irrigation in solid plants has become crucial.²⁵

The price of competing crops: Though the lands and resources on which the cotton is grown compete to some extent with wool or synthetic fibers, it is important to have competition with other farm crops, such as maize and wheats, which allows the farmers to catch higher prices and better returns than cotton. Increased prices for other crops could lead farmers to plant less cotton, eventually leading to higher cotton prices.²⁵

Seasonal factors: Cotton future prices are generally high around March / April but are weaker from August to November.²⁵

²⁵ <http://materials-risk.com/cotton-prices-top-10-most-important-drivers/>

3.12.1 Development of price of cotton:

There are a number of submarket varieties in the world of cotton whose price is based on quality, country of origin, process phases and different types, with thousands of cultivated cotton varieties.²⁶

Graph 3: Development of price of cotton



https://www.macrotrends.net/2533/cotton-prices-historical-chart-data?fbclid=IwAR2-nzxionKvZANv2FrkC9PPf1OeJwQYaDpLed7r10xelirpmxje_KObNZw

3.13 Global cotton balance

Although cotton is produced in many countries, it accounts for almost 90% of global output in the northern hemisphere. Developing countries manufacture more than two thirds of cotton. Over the last four decades the average annual production rate for cotton has increased by 1.8 %, from 10.2 million tons in 1960 to 20 million tons in 2001. Most of this development came from China and India, which during these 40 years tripled and doubled their production. Turkey, Greece and Pakistan also have contributed to this growth, some "new entrants" have also significantly increased their share of cotton production. For example, in the late 1990s, Australia produced only 2000 tons of cotton in 1960. In the

²⁶ https://www.macrotrends.net/2533/cotton-prices-historical-chart-data?fbclid=IwAR2-nzxionKvZANv2FrkC9PPf1OeJwQYaDpLed7r10xelirpmxje_KObNZw

1960s, French-speaking Africa produced less than 100,000 tons and now produces ten times more. The United States and the former Soviet Union's Central Asian Republics, the two predominant producers of cotton in the 1960's, have maintained their production levels at approximately 3.5 million and 1.5 billion tons, respectively. Nearly 250,000 tons of fiber were produced in a number of Central American countries. During this period, the share of East African producers of cotton declined significantly.²⁷

Graph 4: Global cotton balance

World Balance Sheet						
million 480 lb. bales	2014/15	2015/16	2016/17	2017/18	2018/19 August	2018/19 September
Beginning Stocks	102.9	110.2	93.4	83.8	84.5	83.8
Production	119.2	96.2	106.6	123.5	120.5	122.0
Supply	222.2	206.4	200.1	207.3	205.0	205.8
Mill-Use	112.2	113.2	116.1	123.2	127.6	127.9
Ending Stocks	110.2	93.4	83.8	83.8	77.1	77.5
Stocks/Use Ratio	98.2%	82.5%	72.2%	68.0%	60.4%	60.5%

https://www.cottoninc.com/wp-content/uploads/2018/09/2018-09-Monthly-Economic-Letter.pdf?fbclid=IwAR1Lz_Jf3GspecLbxIMQaSmGeBOoxLL3-wjytOHprs0hepdCoQKbKRjEuTU

3.14 World Trade Organization (WTO)

"The World Trade Organization (WTO) is the only world organization dealing with international trade rules. Its main focus is on WTO agreements negotiated, signed and ratified in their parliaments by the bulk of the trading nations in the world. The purpose is to assist the producers, exporters and importers of goods and services in conducting their business. The World Trade Organization is seen in a number of ways. It's a business opening organization. This forum provides governments with the opportunity to negotiate trade agreements.

It is a place where commercial disputes can be resolved. It has a trading rules system. Essentially, the WTO is an area where Member States try to resolve the WTO membership of more than 140 countries. Some countries have WTO observer status that allows the country to follow discussions and issues of special interest. However, some WTO

²⁷ https://www.cottoninc.com/wp-content/uploads/2018/09/2018-09-Monthly-Economic-Letter.pdf?fbclid=IwAR1Lz_Jf3GspecLbxIMQaSmGeBOoxLL3-wjytOHprs0hepdCoQKbKRjEuTU

committees do not allow observers and are limited to members only. They face each other's trade problems. Trade free from discrimination.²⁸

Most-favored-nation (MFN): Other people cannot normally discriminate between trading partners under WTO agreements. Other people cannot be treated equally. Grant a special favorite to someone (such as a lower rate for one product) and to all other WTO members you must do the same.²⁸

National treatment: Treating aliens and local people in equal measure. Each member should treat domestic and foreign products equally. Only once a product, service or intellectual property item has entered the market, national treatment applies. Therefore, charging customs duties on imports is not a breach of domestic treatment, although the equivalent tax is not charged for products produced locally.

*Freer trade: gradually, through negotiation*²⁸

Shrinking trade barriers is one of the clearest ways to promote trade. Barriers include tariffs and measures like import bans or quotas that selectively restrict quantities. Other issues have also been discussed from time to time, such as bureaucracy and exchange rate policy. Predictability: These aim to bind a member that is committed to ensuring stable and predictable international trade, by means of binding and transparency.²⁸

²⁸ https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm

4 Practical Part: Case study of cotton in Egypt

4.1 History of cotton in Egypt

Cotton has grown in Egypt for thousands of years, yet they used flax to make linen. After soaking them in water for about a week, they would turn nearly ripe stems into yarn. Furthermore, they would then carefully separate the fibers and expertly twist it and spin the threads into yarns by using a spinning tool, then weave them on a loom into fabric.

A French man named Jumel convinced Egypt's head of state, Muhammad Ali, back in the early 1800s to sample a piece of cotton he had named Maho. Muhammad Ali was so impressed that he made him a plantation manager, then built up his cotton crops and spread them throughout the Nile River Delta region.²⁹

He dominated the cotton business and began selling his crops annually for a fixed price. This gave the economy a huge boost and also sparked European interest. Muhammad Ali proceeded to govern the industry and transformed Egypt into a cotton colony linked to Europe's textile industry. This brought enormous profits to Egypt. The following heads of state used cotton success after Muhammad Ali passed away and began to get loans from some European banks. They wanted to modernize cotton production in order to increase exports. These loans had high interest rates, but Egypt was able to manage the debt due to the vast amount of cotton being produced. This has revolutionized Egypt into a modern country that has become familiar with credit systems.²⁹

The American Civil War has cut Europe off from its cotton exports, thus prices in Egypt have gone dramatically, for example, the price has risen to \$50 million in just two years.

Egypt exported 600,000 cantars in 1861, without counting what it retained for its own consumption. In 1862, exports amounted to 820,000 cantars, and in 1863 it reached not less than 257,411 bales, forming a total of 1,287,055 cantars at the average rate of 5 cantars per bale. Through these statistics, it will be seen that exports and consequently production

²⁹ https://www.embrator.com.eg/about/egyptian-cotton-history/?fbclid=IwAR2OSF7fxzQaI1xHLag28Y50IVabLVCKjoHsAAffZLkHaqv9XQ_p3MCx00

have actually doubled since 1861. This rate of increase has fallen even below the accelerated velocity it has assumed.²⁹

With an established reputation as the world's best cotton: its softness, strength and superior features have positioned Egyptian cotton products as one of the finest in the world. The following features distinguishes Egyptian cotton from other natural fibers The fiber length allows the finest yarn to be made without sacrificing the yarn's strength. Thus, the fiber strength makes fabrics stronger and more stress resistant.²⁹

Its ability to absorb liquids gives deeper, brighter and more resistant colors to fabrics made from Egyptian cotton. His softness in the world feels like nothing else. Egyptian cotton is hand - picked to ensure the highest purity levels. Furthermore, hand picking does not put any stress on the fibers unlike mechanical picking leaving the fibers straight and intact. All of these factors resulted in the world's best cotton being by far the Egyptian cotton. Egyptian cotton fabrics are softer, finer, and last longer than any other cotton in the world.²⁹

4.1.1 Cotton industry in Egypt

Egypt's cotton industry is one of the major industries in Egypt that support its economy. Despite the advantages that Egypt has in terms of the availability of high-quality raw materials, its cotton exports are considerably less than other cotton exporting countries.³⁰

Geographical proximity, duty-free trade agreements to major importers of cotton, the lack of skilled labor and government management are among the factors that affected the competitiveness of Egypt's cotton exports. This research presents the main problems and needs in the agricultural sector for cotton, Industrial level, and level of trade. The cotton sector's main problem is a financial one.³⁰

³⁰ http://cases.open.ubc.ca/w17t2cons200-29/?fbclid=IwAR31828sGmCwpEGxOz6NK-N2_sl3u8mOlchrOyU4ALD3VHEma8DHpzgC5cA

Since 2004, Egypt's government decided to liberalize the cotton sector, the cotton crop was financed annually. In addition, Agriculture and Land Reclamation Ministry is Egypt's only cottonseed supplier.³⁰

The goal of the research is to liberalize cottons trade in Egypt. The liberalization of the cotton seed had not previously been used in research to identify the skills needed by logistics managers in the cotton industry, due to the strength of competitors like China and even more so in the post era.³⁰

The challenge is serious as, some analysts suggest that "lean retailing" (Lean retailing is an emerging trend that will soon force manufacturers to use spontaneous build to order techniques to build standard products on demand) increases the importance of geography in fast changing apparel fashion exports, in such a way that a country like Egypt could benefit from its proximity to the European end market. Cotton has been the primary cash crop of Egypt until 2001 since the mid-1800s, but no longer.

The Egyptian state used to subsidize all the needs of cotton farmers. This included: seeds (from 2010 to 2011), fertilizers, pesticides, irrigation, and subsidized prices for cotton. Purchases indicate that the area of cotton producing agricultural land in Egypt fell to a quarter of its size in the 1990's. An estimated 2,000,000 feddans until 2001, cotton growing lands amounted to 310,000 feddans, or over 3 percent of 9 million feddans of agricultural land.³⁰

In the 1960s, cotton was devoted to more than 4 million, or nearly 67 %, of the 6 million total feddans grown. Incapable of covering cultivation expenses, cotton has turned away in favor of more profitable cash crops, particularly fruit, for both domestic and export markets. Because there is no centralized planning of agriculture. Such planning ended in the early 1990s. If the country continues to follow the trajectory set out by former rulers, more agricultural and economic problems will arise.³⁰

4.1.2 Types of Egyptian cotton

Giza cotton is unique in the sense that it is grown and harvested near the Nile, giving it some unique qualities like an extra-long staple fiber.³¹

Giza 45 is the oldest Giza Cotton variety still grown in Egypt (more than 60 years). It represents the highest quality and spinning potential in Egypt.³¹

Giza 87: this type is one of the successful attempts to produce in its properties a class similar to (Giza 45) and is characterized by high productivity, characterized by high yield strength and increased productivity of Giza 45 by around 40 percent.³¹

Giza 88: it was introduced commercially in 1999 and is now the highest quality of this cotton.³¹

Giza 86: produced in 1995, which is characterized by long length and regular length together with its high durability, which has resulted in the height of the yarn and the efficiency of the skylight to the ultra - long length levels.³¹

Giza 89: Like Giza 75 in quality, it has a brilliant white color and tends to mature.³¹

Giza 90: it was manufactured to replace Giza 83.³¹

Giza 80: This product was manufactured to replace Giza 75 in Upper Egypt's northern governorates.³¹

³¹

<https://misr.alzeraya.tv/posts/602587?fbclid=IwAR0NOEIPP5Csd9w6y2206VMhfs9NPTffNv3Xgi47CDkavNSA0pAj1T25WRA>

4.2 Egypt's economy overview

Figure 1: Map of Egypt



(<https://www.touropia.com/best-cities-to-visit-in-egypt/>)

The Arab Republic of Egypt is in the north - eastern part of Africa, although the Sinai Peninsula is a land bridge with South - West Asia, so Egypt is also known as the Middle East. It is therefore a transcontinental country that helps Africa, the Middle East, the Mediterranean, and the Muslim world to be a major power.³²

Egyptian's economy is known to be diverse in North Africa and The Middle East, with different sectors employing the following numbers of people: 39% of services; 32% of agriculture; 17% of industry; and 12% of tourism. Egypt has an area of 1,001,450 square kilometers with population of 94,7 million according to the statistics in 2017. It is bordered on the north-east by Israel and Gaza Strip; on the east by the Red Sea; on the south by Sudan; on the west by Libya; and on the north by the Mediterranean Sea. It is Africa's third

³² <https://www.ask-aladdin.com/egypt/>

most populous country and the most populous in the Middle East estimated to be 98 million.

The approximate land area that used by the population is only 5.5%. bordered to the River Nile, the other 94.5% is an uninhabitable desert.³²

Egypt today is the Arab world's largest growing population. Its limited arable land and dependence on the Nile have all contributed to enormous resource over taxation and stressed society. The government had struggled through economic reform, massive investment in communications, and physical infrastructure to meet the demands of the growing population of Egypt. This happened until 25 January 2011, when the presidency and government were brought down by youth led protests.³³

In many areas, the EU and Egypt have undertaken closer cooperation, including socio - economic development, scientific research, energy, migration, counter terrorism, and regional issues.

Approximately 96 percent of the total area of Egypt is desert. Lack of forests, permanent meadows or pastures places a heavy burden on the arable land available, which is only about 3% of the total area. However, this limited area, which supports an average of 8 people per acre (20 per hectare), is highly fertile and is cultivated more than once a year. Agriculture remains a major sector. It accounts for almost one-seventh of GDP. There are two cultivation seasons in Egypt, one for winter and one for summer crops. Cotton is the main summer field crop, which absorbs much of the labor available and represents a significant portion of the export value. Egypt is the world's leading producer of long-staple cotton (1,125 inches [2,85 cm] and longer). However, the total production of Egyptian cotton represents only a small fraction of the global yield.³³

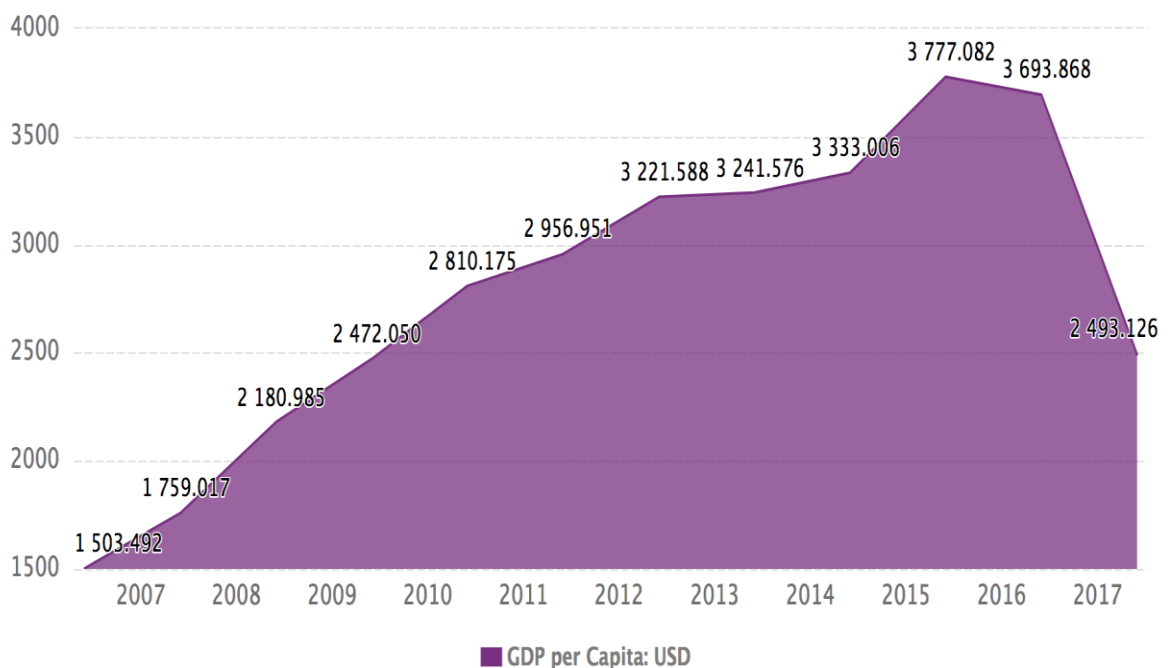
4.2.1 Egypt's Gross Domestic Product (GDP)

GDP approximates the value of goods produced per person in the country, equal to the country's GDP divided by the total number of people in the country. (MAITAH, 2017)

³³ <https://www.britannica.com/place/Egypt/Agriculture-and-fishing>

significant indicator of the economic power of a country. Egypt's economy grew an average of 5% a quarter by 2010. During that time, the majority of the population's economy and living standards improved. Yet living conditions remained poor for the average Egyptian, and large disparities in income continued to grow, leading to public dissatisfaction. As political and institutional uncertainty and rising insecurity continue to hurt tourism, manufacturing, the 2011 revolution caused economic slowdown, In June 2017, GDP per capita in Egypt reached USD 2,493,126 compared to USD 3,693,868 in June 2016. With an average of USD 1,470,962. In June 2015, the data reached an all-time high of \$3,777,082 and a record low of \$750,194 in June 1982. Egypt's GDP expanded 5,385 percent of YoY in June 2018 in the latest reports. In June 2018, Egypt's nominal GDP reached \$60,378 bn. Its deflator of GDP (implicit price).³⁴

Graph 5: GDP Per Capita of Egypt

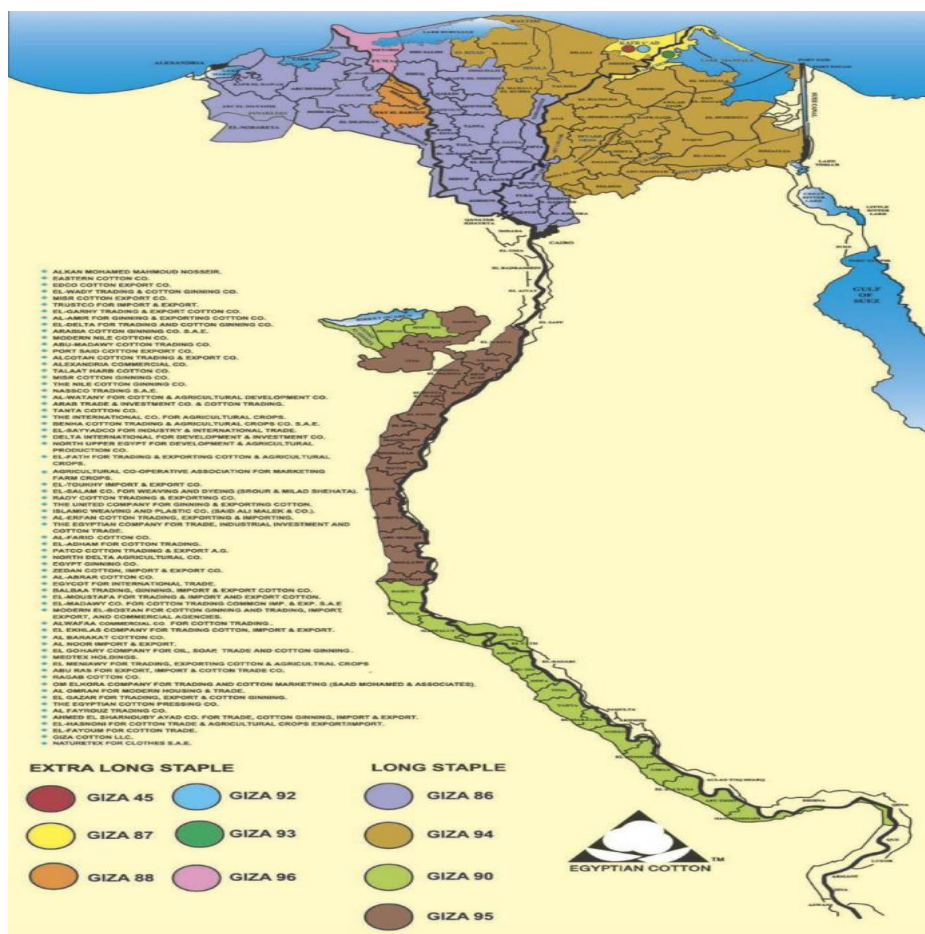


<https://www.ceicdata.com/en/indicator/egypt/gdp-per-capita>

³⁴ <https://www.ceicdata.com/en/indicator/egypt/gdp-per-capita>

4.3 Cotton production and exports

Graph 6: Areas of Cotton production and exports in Egypt



https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Cairo_Egypt_3-27-2018.pdf?fbclid=IwAR3OzzLMgZa3DXZ77nluIDxzeZIUpmEJTcPKB-kx_nhT-ILCwEzwEybHaPY

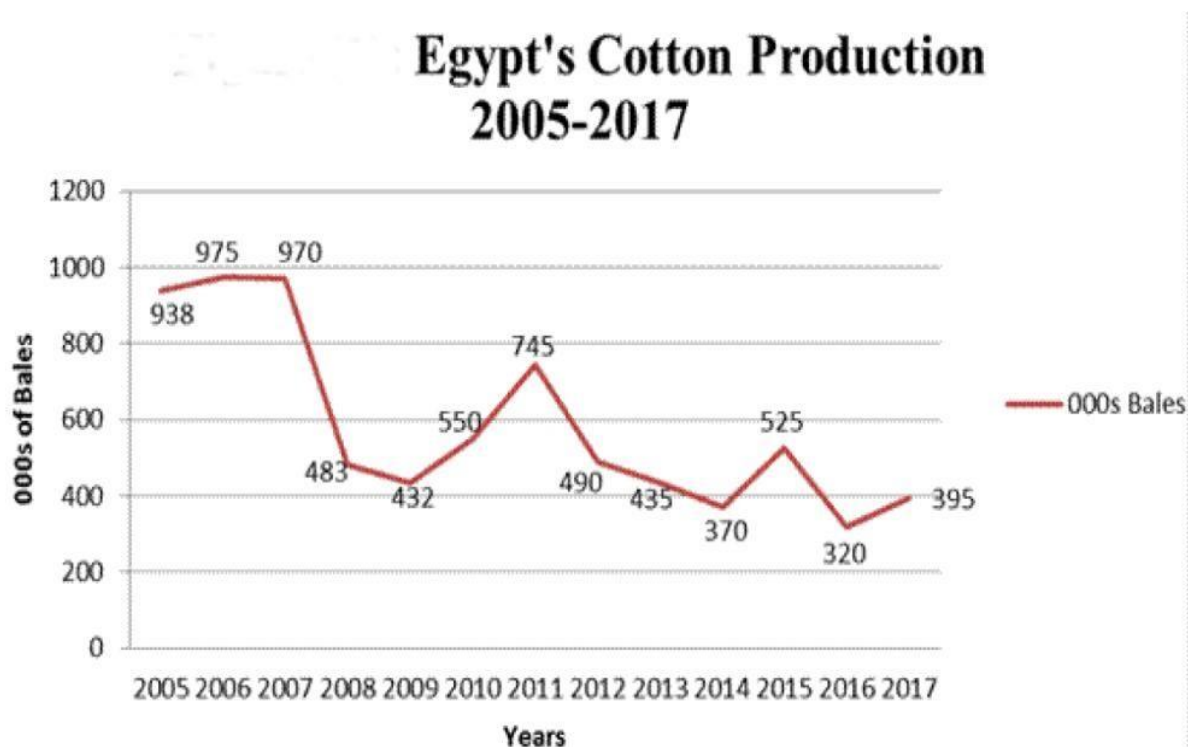
Production:

Since the beginning of 2017, the Egyptian government has been taking active steps to protect the cotton industry from further decline. The Egyptian Ministry of Agriculture and Land Reclamation (MALR) is now directly monitoring the quality of cotton seed and handling the distribution of seeds. In the previous season, the government increased its reported indicative cotton price by more than EGP 400 (\$ 22.72). In the Nile Delta, the

indicative price for extra-long staple cotton increased to EGP 2700 per kantar (\$ 743.42 per bale), while the indicative price for medium and short staple increased to EGP 2500 per kantar (\$ 688.35 per bale)

Production and exports of cotton used in luxury bedding have increased after a period of slumping output.³⁵

Graph 7: Egypt's cotton production



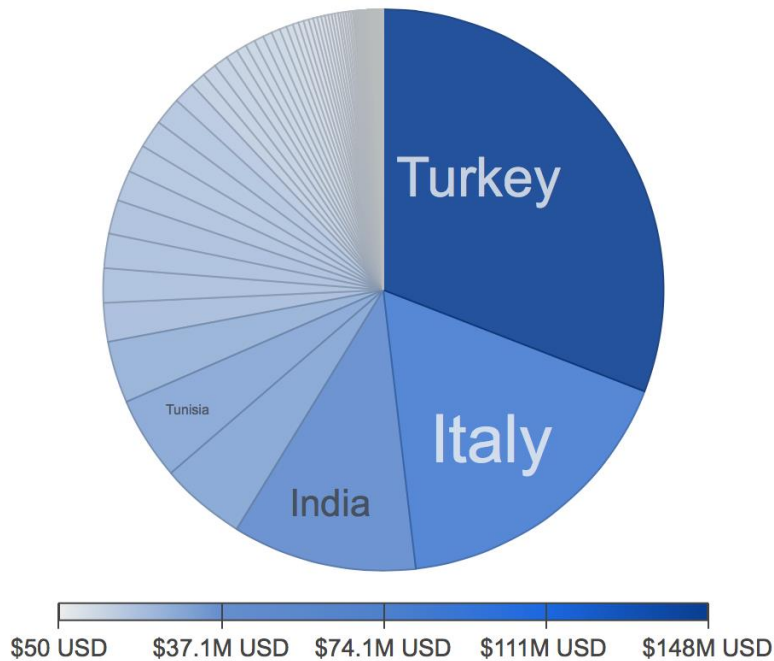
https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Cairo_Egypt_3-27-2018.pdf?fbclid=IwAR1YcIuCC-Hux75-nnActfjcuoKPXGctqnUB4Y_IttWbZ5_azzP6ZlwEmKU

The U.S. Department of Agriculture (USDA) forecast, a report that Egypt's cotton area would double to 110,000 hectares and nearly double production to 340,000 bales in the 2017/2018 marketing year (MY). As we are in 2019, the imports are estimated to fall by 20% to a record low of 420,000 bales, whereas exports are estimated to rise by 66% to reach 200,000 bales.

Over the past thirty years, however, production in Egypt has developed significantly, which is a reason for increasing cotton production.

³⁵ <https://www.textiletoday.com.bd/production-exports-egyptian-cotton-increasing-significantly/>

Graph 8: Export countries 2017



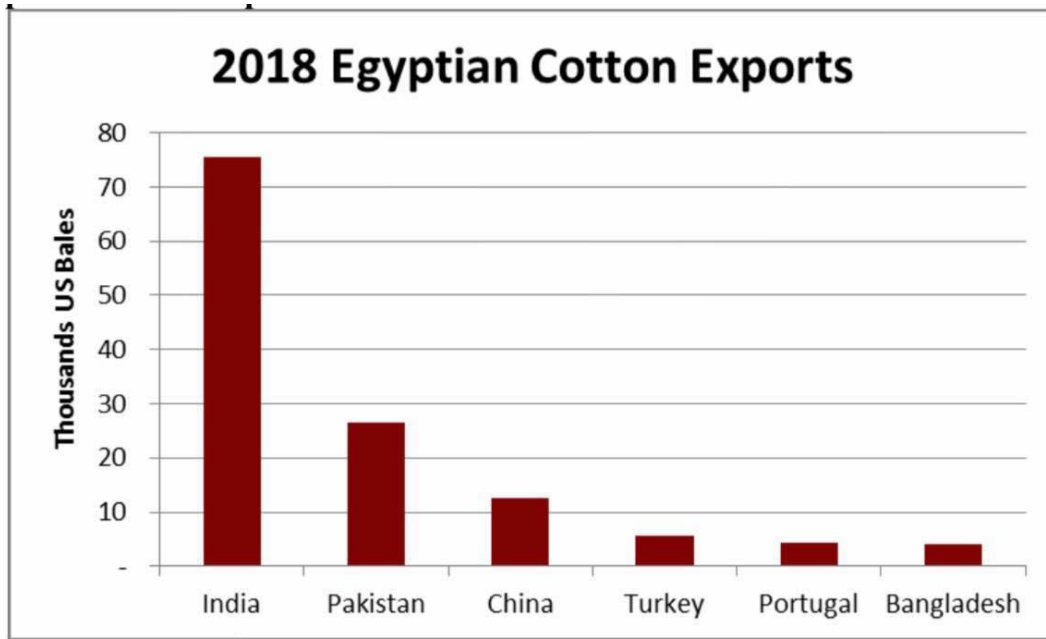
(<https://tradingeconomics.com/egypt/exports/cotton?fbclid=IwAR171ehapHyWuo2bqFIESc7EsJdWjPlpjJwQboELPDn25UBy6az7CEOS5kc>)

The figure above, showing the main exports of cotton in Egypt they export about 31% to turkey during 2017

FAS Cairo expects an increase in Egyptian cotton exports, with domestic production rising and a weak Egyptian pound. FAS Cairo is revising upward export estimates of USDA from 175,000 bales to 220,000 for MY 2017/18. FAS Cairo forecasts an ongoing increase in Egyptian exports in MY 2018/19, up to 250,000 bales, or 14 percent, over the previous year.

FAS Cairo estimates Egypt's total exports of lint cotton at 220,000 bales in MY2017/18. India, Pakistan, China, Turkey, Portugal, and Bangladesh were the top export destination for Egypt in MY2017/18 and are expected to stay that way in MY2018/19. India is the main importer of Egyptian cotton varieties, with more than 50% of Egypt's total exports of lint cotton.

Graph 9: Egypt cotton exports 2018



https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Cairo_Egypt_3-27-2018.pdf?fbclid=IwAR1YcluCC-Hux75-nnActfjcuoKPXGctqnUB4Y_IttWbZ5_azzP6ZlwEmKU

4.3.1 Imports

As the Egyptian government is pushing farmers to grow more cotton and recover domestic production, import volumes are slowing down. FAS Cairo expects imports in MY 2017/18 to reach only 500,000 bales, down from MY 2016/17 by five percent, this trend is expected to continue until MY 2018/19, with imports expected to reach only 420,000 bales, a 16 percent decline from the previous season. A weakened Egyptian pound further discourages cotton imports as well as increased domestic production.³⁶

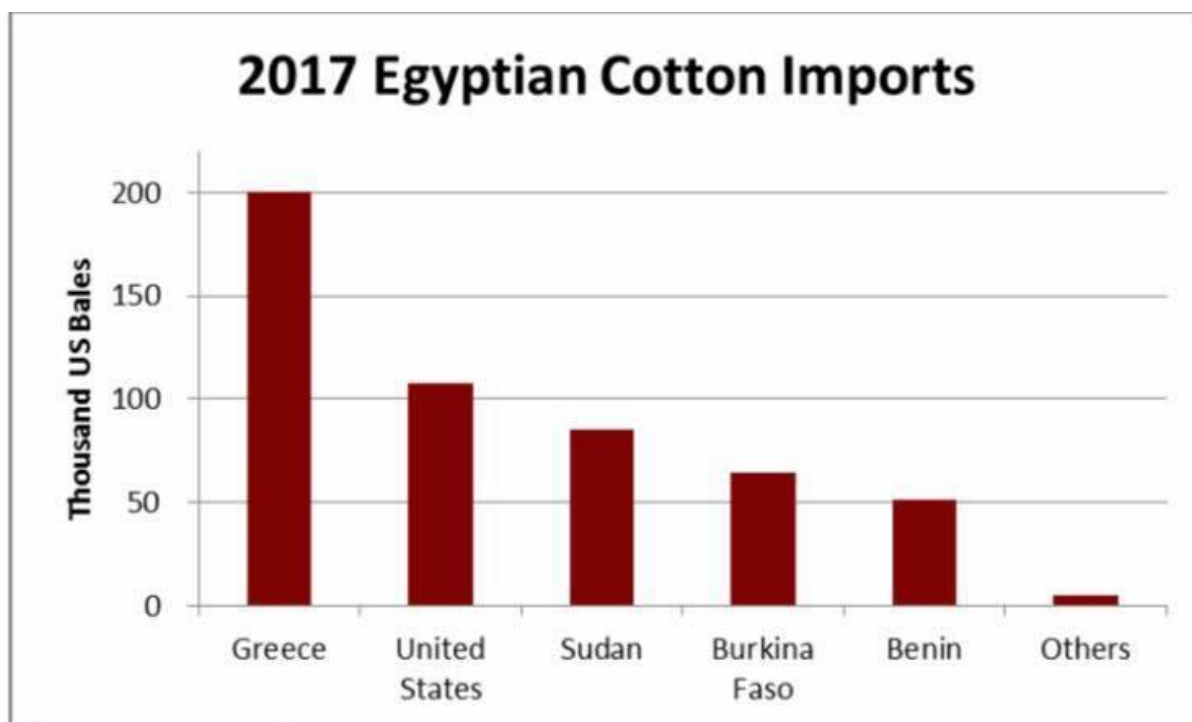
U.S. cotton exports to Egypt increased to \$35.96 million in 2017 by seven percent, or \$2.48 million. Export volumes increased by 7,157 bales, or 10 % above their levels in 2016. Greece, the United States, Sudan, Burkina Faso and Benin remained Egypt's largest cotton suppliers in MY 2017/18. In 2017, the U.S. replaced Burkina Faso as Egypt's second largest cotton supplier. Figure 3 lists Egypt's largest supplier of cotton. In 2017

³⁶

https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Cairo_Egypt_3-27-2018.pdf?fbclid=IwAR1YcluCC-Hux75-nnActfjcuoKPXGctqnUB4Y_IttWbZ5_azzP6ZlwEmKU

Greek shipments of cotton to Egypt reached 200,382 bales, about 39% of total shipments, The U.S. accounted for about 21% of Egyptian imports. There were 17% and 13% of shipments from Sudan and Burkina Faso.³⁶

Graph 10: Egyptian cotton imports



https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Cairo_Egypt_3-27-2018.pdf?fbclid=IwAR1YcIuCC-Hux75-nnActfjcuoKPXGctqnUB4Y_IttWbZ5_azzP6ZlwEmKU

4.4 Area of production and yield of cotton in Egypt

Egypt's agricultural land area is confined to the Nile Valley and delta, with some oasis and a few arable lands in Sinai. Apart from some rain-fed areas on the Mediterranean coast, the whole crop area is irrigated. An area of 900 000 newly reclaimed land has been added to the agricultural area over the past four decades, Landholdings are fragmented, with 2.5 feddans being the average size of farm units. The total annual crop area is around 11.5 million feddans, representing a crop ratio of around 2:1.³⁷

³⁷ <http://www.fao.org/3/v9978e/v9978e0e.htm>

In 2018, the total cotton cultivation area this season increased year - on - year by 100,000 feddans, recording around 321,787 feddans, an official report showed.

Climate: Egypt has an arid climate with an average annual rainfall ranging from 60 to 190 mm along the Mediterranean coast to 25 to 60 mm in the Nile Delta and less than 25 mm in Upper Egypt and neighboring regions. The climate with good sunshine is generally very uniform. Furthermore, the Nile is an exceptional water source, and soil close to the Nile is generally of excellent quality, the cotton crop is grown during the summer season. The planting takes place in a period of rising temperatures in February - April, with the harvest coming in August - October, a period of falling temperature.³⁸

Agricultural area classification: Egypt's productive area is confined to the valley and delta lands where the Nile water can be flooded or lifted. This covers an area of approximately 8451,669 acres. Upper Egypt has acres of 2,953,040 and lower Egypt has acres of 5,498,629. In Lower Egypt the cultivated area is approximately 3,251,779 acres and in Upper Middle Egypt it is 2,391,529 acres, or a total of 5,643,308 acres for the entire country.³⁸

Cotton harvested area: cotton harvested area grow up to 120,000 ha by 20 percent. It is estimated that the total area harvested in MY2015/16 is 100,000 ha. Post attributes to the farmers ' increase in the area Farmers ' willingness to grow more cotton with expectations of continuing government cash subsidies for the MY2016/17 crop. Furthermore, the government's takeover of the distribution of cotton seeds addresses the concerns of farmers about seed quality, which has deteriorated under private operators, and governorates support FAS Cairo's 2016/17 harvested area forecast.³⁹

³⁸

<https://naldc.nal.usda.gov/download/CAT86200445/PDF?fbclid=IwAR0tHhmUkZ0RCe3avvkMuZFWJpG2wu-Q1e8FETkTPvu5IZZUqmhw1MSLXt8>

³⁹

https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Cotton%20and%20Products%20Annual_Cairo_Egypt_3-31-2016.pdf?fbclid=IwAR1Zy31zHF7CdE8E5bcH2DeK86Y9XWkynv7ViQMM2_nK-ME2xZhjfOzD-Rs

4.5 Competition in the market

Egyptian cotton, particularly in the Delta region north of Cairo, is known all over the world for its quality due to the length of its staple. High - quality cotton in the 19th century made Egypt a world reference for its "white gold." Other countries today, however, produced the same cotton type as "Egyptian cotton.

Decades of fierce global competition have also led to a decline in the Egyptian industry, including short - staple cotton, popular among the textile giants. The USA, India, Brazil and Australia are among the leading exporters in the world.⁴⁰

Egypt's exports fell significantly, accounting for 5-15% of the world's total exports during the 1960-1980 period, now accounting for about 1%, while Egypt's cotton exports rose 6.9% in the third quarter. Due to the trend of spinning mills to cotton, consumption decreased by 57.9% during the same period.⁴⁰

The deterioration in Egypt's cotton sector has resulted in losing many of its traditional markets and being replaced by other countries, particularly the United States, Israel, India, China and Pakistan. The decline in production forced Egypt to import cotton from abroad to meet the need for local spinning industry and forced it to increase its import of oils and vegetable oils in order to compensate for the shortage of cotton seed production.⁴⁰

Global cotton production has reached around 29 million metric tons, according to data from 2012. In terms of cotton production, China ranks first in the world, producing around 7.3 million tons annually and India followed with 5.8 million tons, followed by the United States with 3.4 million tons. The top four countries China, the United States and India account for around three quarters of cotton production in the world According to data from 2012, the world's top 10 countries account for 83% of global cotton production, around 29 million tons. Developing countries accounted for 94% of global cotton consumption by

⁴⁰

http://www.m.ahewar.org/s.asp?aid=384568&r=0&fbclid=IwAR37wjM_RE1B1Ln2aTuv9qUiG7GJNSdra dmq6_WaZyzTJa04JNEUPH8-lc

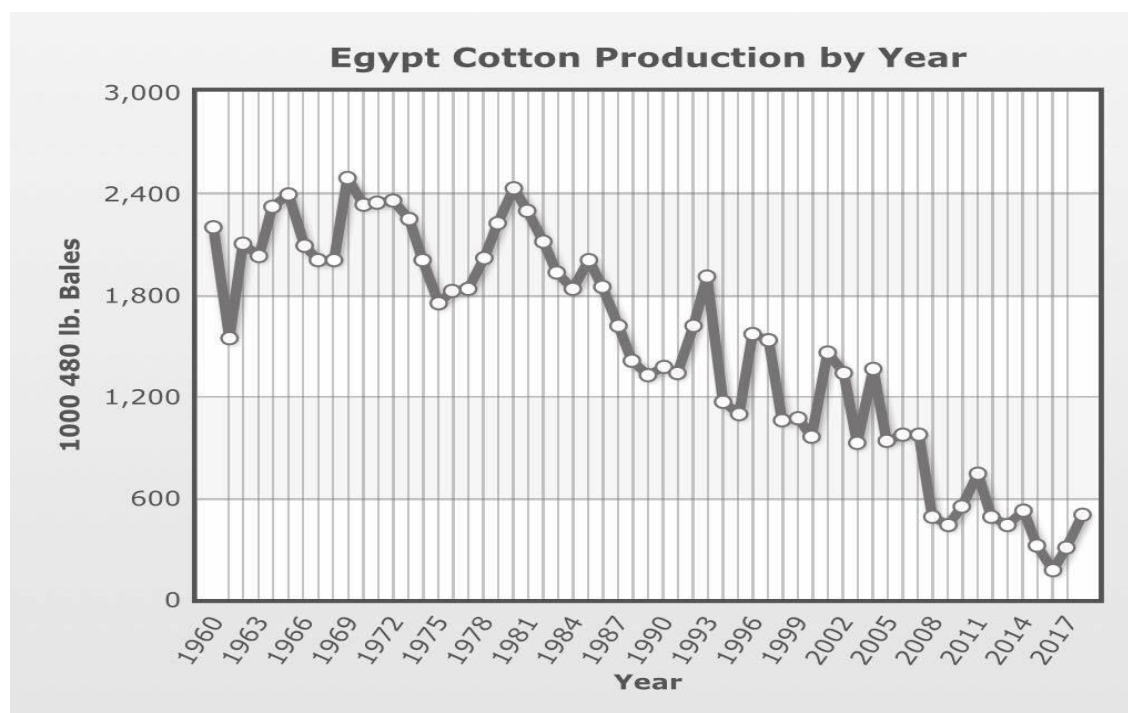
Farmers stopped cotton production because the cost of production was higher than the international price. Another issue facing Egypt is that importers are still using low Egyptian cotton supplies and have planned to buy from other international suppliers.⁴²

Cotton production in Egypt has been declining since 1994 as production as a result of discontinued subsidies. Additionally, Egypt's dry climate and low rainfall resulted in low water supply. This is a major issue as cotton production requires a large amount of water. Farmers see cotton farming as costly, without financial benefits. The government frequently delays the sharing of indicative price information, which is often overestimated, Thus, cotton should be perceived by farmers as a low profit crop.⁴³

Action to be taken to maximize the cotton output of Egypt is to invest in new technology and educating farmers. The basic issue facing farmers is that they don't profit from cotton. Hence, the government should make cotton production cheaper, including subsidizing new water-use efficiency technology. Moreover, farmers should be required to receive adequate training on how to use it, to maximize productivity in addition, new irrigation and biological technologies will make cotton production more profitable for farmers and therefore for Egypt. While new developments have been invented in technological procedures for hybrid power systems to improve the management of agricultural water.⁴²

⁴³ http://cases.open.ubc.ca/w17t2cons200-29/?fbclid=IwAR0g-TTWFlrYaLUyZ0UoupQimdnfDb1Yej0Y59XW_UXyj3asnC4wDk1xfII

Graph 11: Egypt cotton production per year



https://www.indexmundi.com/agriculture/?country=eg&commodity=cotton&graph=production&fbclid=IwAR0CEOEKUPXzneFY8ggXzjq8gRj_gDQLNCpTR-aXoKauPsr9QGyrfXp_k

4.7 Impact of WTO on Egypt

Egypt is a member of the WTO since 1995, as a forum leading to open and frictionless movement of goods and services at global level, the WTO is gradually ensuring that this collective goal of it is 148 members is fulfilled. In general, agricultural policy is in line with the WTO.⁴⁴

4.7.1 The impact of the WTO on exports and imports of Egypt

The aim for this chapter is to provide an analysis of Egypt's foreign trade from 2013 to 2017 on Egypt's foreign trade balance overall export and import trends. The table presents the exports and imports of Egypt in either values or percentage changes.⁴⁵

⁴⁴ https://www.wto.org/english/thewto_e/countries_e/egypt_e.htm

⁴⁵ https://en.portal.santandertrade.com/analyse-markets/egypt/foreign-trade-in-figures?fbclid=IwAR2HIYXA2cfRMymvO-TXRqNKVzw03QmR84M8LcYx-98yMupQu_x7CHIY-g#classification_by_country

Based on the observation, there were fluctuations in Egypt's total trade (exports and imports) and trade deficits in the Egyptian economy. The fluctuation of exchange rate, in effect since 2016, resulted in a devaluation of the national currency and enabled the import regime to be liberalized. As a result, exports of non-hydrocarbons benefited from devaluation of currency in 2017. As such, the trade deficit decreased significantly in 2017 (-25 %) Non - oil exports rose from USD 20.4 billion in 2016 to USD 22.4 billion in 2017 (up 10 %) and imports shrank from USD 66.3 billion to USD 56.8 billion in the same period (-14%). Since then, this trend continued at the beginning of 2018, with exports rising by 16% and imports falling by 4% in the first month of the year.⁴⁵

Trade of balance

The difference in the value of what we export and what we import, if the value of what we import is greater than the value of what we export, then there is balance of trade deficit. When the value of our export exceeds the value of our imports, there is a balance of trade surplus. (MAITAH, 2017)

Trade balance is the value of exported goods minus the value of imported goods. A positive trade balance means a trade surplus, while a negative value means a trade deficit. The trade deficit in Egypt amounted to approximately \$ 28,884 billion.⁴⁵

Table 1: Egyptian trade flows and balance 2013-2017

Foreign Trade Indicators	2013	2014	2015	2016	2017
Imports of Goods (million USD)	59,662	71,282	65,044	55,789	61,627
Exports of Goods (million USD)	28,493	26,367	19,051	25,468	25,604
Imports of Services (million USD)	14,808	16,800	16,658	16,978	15,660
Exports of Services (million USD)	17,881	20,262	18,156	14,305	19,110
Imports of Goods and Services (Annual % Change)	0.6	0.1	0.6	-1.9	52.5
Exports of Goods and Services (Annual % Change)	4.5	-10.9	-0.6	-14.5	86.0
Imports of Goods and Services (in % of GDP)	23.4	22.7	21.7	19.7	28.5
Exports of Goods and Services (in % of GDP)	17.0	14.2	13.2	10.3	16.3
Trade Balance (million USD)	-22,384	-31,178	-31,389	-30,618	-28,884
Trade Balance (Including Service) (million USD)	-20,531	-26,830	-30,369	-34,186	-26,639
Foreign Trade (in % of GDP)	40.4	36.9	34.8	30.0	44.8

https://en.portal.santandertrade.com/analyse-markets/egypt/foreign-trade-in-figures?fbclid=IwAR2HIYXA2cfRMymgvO-TXRqNKVzw03QmR84M8LcYx-98yMupQu_x7CHIY-g#classification_by_country

4.7.2 Main partners

The main export partners in Egypt are the European Union and the United States, which accounts for more than one third of total trade. Both are receiving nearly 60% of Egyptian exports. Most of Egypt exports fuel, Oil, iron, cotton, and steel.⁴⁵

Table 2: Top trading partners of Egypt

Main Partner Countries

Main Customers (% of Exports)		Main Suppliers (% of Imports)	
	2017		2017
United Arab Emirates	10.6%	China	12.2%
Italy	8.5%	Germany	6.8%
Turkey	7.2%	Italy	6.3%
Saudi Arabia	6.0%	Saudi Arabia	6.3%
United States	5.1%	United States	5.9%
United Kingdom	4.2%	Russia	5.4%
India	3.4%	Brazil	4.1%
Spain	3.1%	India	3.5%
China	2.6%	Turkey	3.1%
Germany	2.2%	South Korea	2.8%

https://en.portal.santandertrade.com/analyse-markets/egypt/foreign-trade-in-figures?fbclid=IwAR2HIYXA2cfRMymgvO-TXRqNKVzw03QmR84M8LcYx-98yMupQu_x7CHIY-g#classification_by_country

4.8 Future of cotton in Egypt

Egyptian cotton faces challenges that have influenced it, in particular market fundamentals (supply / demand) and their impact on price movement, as well as some other factors such as rising input prices and competitiveness.⁴⁶

The tremendous progress in spinning and weaving technology has increased the ability to use lower quality cotton and reduced demand for high quality ELS cotton from other crops affecting cotton production and eventually lint cotton production. These factors may affect Egyptian cotton demand in the near term and the global demand for Egyptian cotton will

⁴⁶ http://www.xinhuanet.com/english/2018-10/21/c_137547262.htm

increase in the coming years due to its high - quality specifications according to the government of Egypt. The Egyptian government, represented by research institutes, has taken many measures to increase the quality and value of Egyptian cotton in the global marketplace. For example, the Cotton Research Institute continues to develop new varieties that are resistant to disease and pests and also produce high yields that cover high production costs and increase producers' profitability at the same time, at a competitive price to imported cotton, the needs of local spinning mills are met. These developed LS and ELS varieties can meet the international cotton market's export requirements to be a strong competitor to the same category cottons.⁴⁶

Cotton cultivation is pricey, and the cost of cultivating one hectare of cotton extra costs more than 10,000 Egyptian pounds (US\$ 558.4). Egyptian cotton is an extraordinary resource that has played an important role in Egypt's financial, social, and economic development. Over the past two centuries, social and political history, Egypt's unique climate and fertile soil have been ideal for cotton growing. Egyptian cotton has been known for its luxury and quality from the beginning of the 18th century to the present.⁴⁶

Following the popular revolution in January 2011, Egypt's cotton industry experienced a recession due to government negligence, which degraded the quality of the North African country's most famous crop though, the government has planned to restore the key sector by doubling high quality cotton production after years of suffering.⁴⁶

The market price is lower than the government's price of 2,700 pounds per kantar, "al - Samannoudi. This year's cotton area in Egypt amounted to 330,000 hectares, compared to last year's 216,000 hectares and 2016's 131,000 hectares.⁴⁶

Cotton production in Egypt is expected to reach 2,4 million kantars in 2018, compared with 1,4 million kantars last season and 700,000 kantars in 2016 - 2017. Egypt is estimated to export around 65 million kilograms of long - staple cotton worth 150 million dollars in the 2018 - 2019 season. In the 2017 - 2018 season, Egyptian long - cotton yield amounted to 55 million kilograms, in the 2016 - 2017 season 35 million kilograms and in the 2015 - 2016 season 30 million kilograms.⁴⁶

5 Conclusion

The strength, softness and special features of Egyptian cotton has given it a competitive advantage in market for the previous three centuries. This great reputation is known throughout the world. The cotton industry is not the greatest industry when it comes to supporting the economy, but it is an industry of utmost important to Egyptian people as it was the primary cash crop between 1800 to 2000. So, there is an emotional bond attached to keep the cotton sector floating and not let it decline any further.

The fact that 96 percent of land area in Egypt is desert and not suitable for farming prevents Egypt from being an economy that can solely depend on agriculture or become the greatest producer of any commodity even cotton but the quality is still considered the greatest throughout the world and the cotton industry still makes up for one-seventh of the whole Egyptian economy. Low availability of arable land is not the only challenge faced by the cotton sector.

Another problem faced by this sector is a financial problem when in 2004 the government decided to liberalize the cotton sector the financing of the crop became a problem for the main sector. By this continuation of problems, the cotton sector was in a decline but from the beginning of 2017 the Egyptian government has been putting significant effort into stopping any further decline in the industry by applying various methods.

The Ministry of Agriculture and Land Reclamation has been tasked to oversee the quality of cottonseed and handle the distribution of these seeds also the government also increased their reported indicative price for cotton. Hence, the production and exports of cotton used in luxury bedding has increased 63 percent between the first and second half of 2017.

The Biggest importers of Egyptian cotton are Turkey, Italy and India where in 2017 around 31 percent of all the exports only went to turkey and the other two countries are also not trailing by much.

There is fierce competition in cotton industry for Egypt because even though the quality of cotton in Egypt is unmatched when compared to the rest of the world. The quantity lacks

significantly when compared with nations which possess far more arable land. USA, India, Brazil are among the lead exporter of cotton.

As explained above the connection with the cotton industry is an emotional one for Egyptian. Even though recently the industry has been on a decline the industry still provides a large number of employments for Egyptian. Egyptian government are making massive strides to redevelop their cotton industry but still the major problem is a low amount of arable land. Hard to tell if in the future even when faced with loss Egypt will abandon growing cotton as their reluctance is clearly visible but for now even though on a decline when compared to previous times cotton industry of Egypt is stable.

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