

The deposits swap will be carried out quarterly over the 12 months, at the exchange rate prevailing at the start of each quarter. The first swap is expected to go through as soon as the revised commercial bank exchange rate is announced; bankers say this should be before mid-May. The rate is to be set on a daily basis by a committee of public and private-sector bankers. It is expected to be close to the free market rate, which stood at about \$1=£E 2.16 in early May; the pre-reform commercial bank rate was \$1=£E 1.37.

The swap will be based on the level of deposits at the end of 1986. Bankers say the measure should give the central bank about \$100 million, which will be used to intervene in the currency market if the reform provokes a run on the Egyptian pound.

Bankers are particularly concerned about the LC ruling; they say it could stifle private-sector business activity.

Friends of Egypt Club to reschedule debts

A group of creditors, dubbed the Friends of Egypt Club by the Cairo press, is to meet in Paris in late May to study ways of rescheduling medium-term official debts. The meeting will follow approval of a standby credit programme by the IMF board in mid-May. Central Bank of Egypt governor Salah Hamed says the IMF notified him by telephone on 1 May that the government's plans for economic reform have been approved; the board meeting will formalise the agreement on the standby credit.

The reforms include liberalisation of the exchange rate and interest rate systems, cuts in energy subsidies and increases in prices paid to farmers. The IMF standby credit will be about \$300 million, to be disbursed over 18 months.

The rescheduling talks will be along the lines of Club of Paris discussions, but the terms of reference may be widened to take account of factors specific to Egypt's debt-servicing problems, observers say: hence the reference to the Friends of Egypt Club. Prime Minister Atef Sedki says the Paris meeting will provide a forum for discussions with creditors about rescheduling interest payments and obtaining revised terms for existing loans. He added that Egypt expects to obtain a \$300 million-400 million loan as part of the Paris agreement.

The meeting is expected to focus on the problem of payments arrears on civilian debts to West Europe, Japan and the US totalling about \$12,000 million-15,000 million. Also on the agenda will be delays in payments on military loans from France and Spain. Observers say the special format may allow discussion of US military debt — this would usually be barred from a Paris Club meeting because the problem is

the terms of the original loans rather than simply arrears in servicing payments.

The IMF agreement will also lead to increased World Bank lending for projects and balance of payments support, government officials say.

Oil and gas agreements finalised

Several oil concession agreements with foreign companies — the first in nearly two years — have been approved by the board of **Egyptian General Petroleum Corporation (EGPC)**. The board has also agreed the first amendments incorporating new gas provisions in existing concessions: this should enable construction to start on a gas pipeline in the Western Desert (MEED 4:4:87). The oil concessions, expected to become effective in June, include:

□ North October 5A and 5D — awarded to the US' **Amoco**

□ Nezzazat and Ranim — Italy's **Agip**, which operates locally as **International Egyptian Oil Company (IEOC)**

□ Abu Zeneima — **British Petroleum (BP)**

□ Sudr — **Royal/Dutch Shell**.

These concessions are all in the Gulf of Suez. Two Western Desert agreements — initialled with the US' **Conoco** and a group led by IEOC — are still being discussed. The authorities say they are anxious to reverse the recent downturn in exploration.

The gas amendments for the Badreddine and Sitra concessions, in the Western Desert, have been agreed with Shell. They are operated by **Badreddine Petroleum Company (Bapetco)**, Shell's joint venture with EGPC. The new terms grant Shell the same profit and cost-recovery rights it has for oil. The gas price will be based on its calorific value — converted at the international market price for fuel oil — minus 15 per cent. Before the amendment, all gas was surrendered to EGPC, with cost recovery paid in cash. The amended terms have been proposed by EGPC to give companies greater incentives to explore for gas.

Shell now plans to exploit its bed 3 gas find, which has reserves estimated at 1 million million cubic feet. Oil and condensate production from the two concessions totals 13,000 barrels a day (b/d); this is set to rise to about 45,000 b/d.

The gas will be piped from Sitra to Ameriya, near Alexandria. Construction of the 265-kilometre line will begin in late 1988, for completion in 1991. The estimated \$220 million project will be carried out by **Engineering for the Petroleum & Process Industries (Enppi)** and **Petrojet** — both divisions of EGPC — in association with **SIPM**, Shell's oil services division, based in The Hague.

An oil pipeline from Badreddine to El-Hamra terminal, on the Mediterranean, is

being built by Petrojet with the US' **Bechtel** (MEED 30:8:86).

Shell plans to sink three new wells in its Qarun and East Gemsa concessions, where non-commercial oil discoveries have been made. Exploration agreements for the two areas have been extended for two years.

Shell is the first company to finalise gas amendments. Observers say the terms agreed, which apply to fields already producing substantial quantities of oil, could prove less attractive to companies with more gas-prone concessions.

There appears to have been a patchy response in the bid round for seven onshore Western Desert concessions. Several well-established operators, including IEOC and BP, had not entered bids by the 30 April closing date. Offers for nine offshore concessions in the area have been invited by 31 July (MEED 18:4:87).

Revised offers invited for Helwan steel contract

Six international concerns have been invited to submit revised offers for a contract to install a steel slab caster at the Helwan iron and steel works in south Cairo. Bids were originally invited from eight prequalified companies in mid-1985. Offers were submitted in January 1986, but no decision was taken on the scheme, and the commercial envelopes remained unopened. Deadline for the revised offers is 17 June (MEED 8:2:86).

Bidders for the estimated \$70 million-80 million order are: Italy's **Italmimpianti**; Austria's **Voest-Alpine**; **Mannesmann Demag** and **SMS Schloemann Siemag**, both of West Germany, and two French firms — **Fives-Cail Babcock** and **CLECIM**. Client is **Egyptian Iron & Steel Company (Hadisob)**; consultant is **British Steel Corporation (Overseas Services)**.

The slab caster will reduce costs and increase efficiency by cutting out one stage in the steel-making process. The molten steel will be poured into a continuous casting machine to produce slabs — the first stage in the rolling process. At present, molten steel is moulded into ingots, then reheated to make the slabs. The rolling mills at Helwan are being upgraded by West Germany's **Krupp Industrietechnik**, in a DM 170 million (\$95 million) contract signed in 1984.

Canada to upgrade Delta irrigation

The main contract in a Canadian-financed soil and water improvement scheme in the Delta has been finalised with **The SNC Group** of Montreal. Subcontracts have been signed with one local and five Canadian companies. The project, covering 30,000 hectares in Daqahliya province, is valued at \$Can 74.5 million

continued on page 8

EGYPT continued from page 5

(\$56 million), of which \$Can 48.4 million (\$36 million) will be financed by a grant from the Canadian International Development Agency (CIDA — MEED 20:12:86).

SNC — working from its offices in Edmonton, Lethbridge and Saskatoon, in western Canada — will be responsible for overall designs and equipment installation. Its local subcontractor is the **Centre for Arab Development Studies & Consultancies (CADSAC)**. The five Canadian companies providing specialised services are **WER Engineering, Urgel Delisle & Associates, CAN-AG Enterprises, Mary Anderson & Associates** and **Ker, Priestman & Associates**.

The project aims to combat waterlogging and salinity. Surface and subsurface drainage will be improved, irrigation systems upgraded and problem soils treated. The order also calls for training schemes, aimed in particular at women and young people.

The work includes the installation of 7,750 kilometres of lateral drains and 600 kilometres of collector drains. It also calls for upgrading four pumping stations and the deep tillage of 16,000 hectares of farmland. Project duration is five years.

IN BRIEF

● National carrier **EgyptAir** on 16 May is to initial a contract with the US' **Boeing Company** for the purchase of two 747-300 passenger jets, the Cairo daily **Al-Ahram** reports. The newspaper says financing offers from five groups of commercial banks — including one local group — are being studied. **EgyptAir** will make a \$47 million downpayment. Three more instalments are to be paid in the six months after contract signing, bringing payments to 35 per cent of the total. The remaining \$175 million of the contract price will be raised as a commercial bank loan, **Al-Ahram** says.

● Japan's **Suzuki Motor Company** has announced the establishment of a joint venture with the local **Modern Motor Company** to produce light trucks and vans. Investment costs are estimated at about £E 70 million (\$51 million). A plant, to be built in 6 October City, is to start production of 2,000 vehicles a year in 1988. They will initially be assembled with 1,000-cc engines supplied by Suzuki. The Japanese firm will take a 20 per cent stake in the venture. **Modern Motors** will hold 51 per cent; the remaining 29 per cent will be held by private investors (MEED 4:10:86).

● International companies are bidding for a contract to upgrade the army's fleet of Soviet-built T-54 tanks, reports say. The US' **Teledyne** and the UK's **Royal Ordnance** are said to be among the prospective bidders. The UK firm is working on a contract to install 105-millimetre guns in T-55 tanks. The T-54 conversion, expected to be carried out in the army's factory 200, will entail substantial changes, including the supply of new engines. Observers say **Royal Ordnance** is having problems mounting a competitive challenge to **Teledyne** because the UK company is being reorganised following privatisation (MEED 2:5:87; 20:7:85).

● A contract to build a 220-kV substation at Itai

Baroud, near Alexandria, has been signed with **Siemens** of West Germany. The order, valued at DM 31 million (\$18 million) plus £E 4 million (\$3 million), is being financed by Kreditanstalt fuer Wiederaufbau (KfW). Two other KfW-financed contracts were finalised recently with West German companies: **AEG** for Damietta, and **Brown, Boveri & Compagnie (BBC)** for Cairo north (MEED 11:4:87; 21:3:87).

● South Korea's **Dongsan Construction Company** has a contract to renovate the **Egyptian General Petroleum Corporation's (EGPC's)** new headquarters in Maadi, south Cairo. The order, valued at \$2 million plus £E 5.5 million (\$4 million), entails refurbishing the north tower and part of the central tower of the three-block complex, originally built by Dongsan in 1980-82 for \$40 million. The buildings are to be shared with the **Gulf of Suez Petroleum Company (Gupco)**, EGPC's joint venture with the US' **Amoco**.

● An agreement has been reached with the Soviet Union to revalue the exchange rate used for trade. The new rate is £1 sterling = £E 1.35, compared with the previous £1 sterling = £E 0.70. Moscow recently agreed to reschedule military debt (MEED 21:3:87).

● Crude oil export prices are to remain unchanged in May; they will be held at the March-April levels of \$15.40-17.25 a barrel.

● Former interior minister Hassan Abu Basha was shot and wounded in a 5 May hit-and-run attempt on his life near his home in Cairo. The attack has been blamed on Muslim militants, who have expressed resentment at the hardline policies enacted by the Interior Ministry when Abu Basha was in charge between 1982-84.

● Prime Minister Atef Sedki visited Jordan in early May for talks about economic and political co-operation.

IRAN

Bank Markazi pumps more money into the economy

Bank Markazi (central bank) plans to expand the volume of money in circulation by 13.3 per cent in the Iranian year started 21 March, governor Majid Qassemi says. Just above 10.3 per cent of the increase is to cover the projected budget deficit.

The move follows reports that Markazi is loosening its tight monetary policy — sacrificing the fight against inflation to keep economic activity high at a time of reduced oil revenues. Figures for increases in money supply in earlier years are not available. Inflation is estimated to be running at 20-30 per cent a year.

Efforts by the state banks to help to finance government development schemes will continue, Qassemi said. Arrangements have already been made for the banks to finance the Arak petrochemicals complex, the Tehran underground and a pesticide complex. In addition, they are to fund a water supply system for Doroud, in Lorestan.

The General Assembly of Banks, with Markazi's approval, has decided to increase profit-sharing payments to long-

term depositors in the year ended 20 March, Qassemi says. Short-term depositors will get a 6 per cent return; those with long-term deposits will get 8.5 per cent. In the first 11 months of the year ended 20 March, short-term deposits with the banks increased by 31 per cent and long-term deposits by 17.5 per cent, Qassemi said.

In a related development, the Mostazafin (deprived) Foundation is selling some of its assets — including houses and farms — to help to raise IR 100,000 million (\$1,400 million) to invest in large-scale schemes. Among the projects mentioned are a cement works in Ilam, a textile factory in Kurdistan, a dairy for 5,000 cows and several tree-planting schemes.

Imports fall to \$5,600 million

Non-military imports in the Iranian year ended 20 March plummeted to \$5,600 million, deputy commerce minister Mojtaba Khosrowtaj says. Main supplier was West Germany, with a 20 per cent share of the market, followed by Turkey, with 10 per cent.

The import figure is the first provided by any official, and reflects last year's drop in oil income to an estimated \$8,000-10,000 million, from a projected \$18,000 million. Defence-related imports are put at about \$2,000 million a year.

Khosrowtaj described \$1,300 million worth of the non-military purchases as basic goods. Chemicals and plastics, at \$230 million, made up the biggest category; next came machinery and spare parts, at \$93 million, and tools and instruments, at \$66 million.

Two-thirds of Iran's trade is with western countries, Khosrowtaj said. Almost 10 per cent is with East Europe, 8.7 per cent with non-Islamic Third World countries and 14.4 per cent with Islamic countries.

Non-oil exports in 1986 reached \$900 million. Biggest customers were West Germany, at \$170 million, Italy (\$47 million), Dubai (\$38 million), Switzerland (\$34.7 million), the Netherlands (\$22.7 million), the Soviet Union (\$18.3 million) and the UK (\$14.5 million). Agricultural produce comprised 42.5 per cent of non-oil sales, followed by carpets (41.5 per cent), manufactured goods (2.25 per cent) and minerals (3.0 per cent).

US told to hand over \$451 million

The special Iran-US claims tribunal in The Hague has ended months of wrangling by instructing the US to hand over to Iran \$451 million in frozen assets. The White House says President Reagan will have to decide whether to return the money.

Announcing its ruling on 5 May, the tribunal said the funds' return had "no relation or link whatsoever to the issue of hostages held in Lebanon or any other political matter, as both parties have