

## EGYPT

**Debt problem puts Australian wheat deal in jeopardy**

Delays in finalising the Club of Paris rescheduling could have severe repercussions on Australia's \$Aus 200 million (\$140 million) annual wheat sales, the Melbourne-based Eaglepress news agency reports.

The problem surfaced in April, causing concern in Canberra about the **Australian Wheat Board's (AWB's)** extended credit to Cairo, now totalling up to \$Aus 1,000 million (\$700 million). In the next three months, the AWB must decide on its wheat sales programme to Egypt in 1988, and doubts have been expressed about the federal government's willingness to provide the necessary export credit cover (MEED 2:5:87).

In recent years, the AWB has provided annual supplies of about 2 million tonnes of wheat — more than one-third of total imports. Payments arrears for wheat supplied up to October 1986 are almost \$Aus 500 million (\$350 million). The sum is outstanding mainly against the federal government's national interest account. Should payment become necessary, the funds will have to be borrowed on the international capital markets to repay the AWB, which will in turn have to meet claims from Australian wheat producers.

The federal government allocated \$Aus 5 million (\$3.5 million) in the 1987/88 budget to cover losses incurred on interest rate differentials and related fees in rescheduling Cairo's debt. The difference will be between the terms agreed with Egypt for meeting the costs of the rescheduling and the rate at which funds can be borrowed by the federal government to meet the AWB claims.

Eaglepress says the federal cabinet is to discuss the question of continued wheat sales to Egypt and payment terms at a 9 November meeting in Canberra. The cabinet will have to choose between taking on the burden of increased Egyptian risk or finding alternative markets for Australian wheat farmers.

**Bids to be invited for Cairo treatment plant**

Bids are to be invited in early 1988 for a contract to build a wastewater treatment plant at Gabal el-Asfar, in northeast Cairo, according to scaled-down specifications. The plant will process sewage collected in a new system being built with UK finance in east Cairo as part of the citywide wastewater project. The Gabal el-Asfar plant has had to be reduced because finance was not available for the original full treatment option (MEED 4:7:87).

Designs for the contract — 10(a) — are being done for the Cairo Wastewater Organisation (CWO) by **American-British**

**Egypt: import squeeze pays dividends**

A SHARP drop in imports resulted in a reduction in the current account deficit in fiscal 1986/87, despite the impact on exports of the fall in oil prices. The central bank report for the year, which ended in June, also shows a fall in the actual budget deficit and a marked slowdown in the rate of money supply growth. The report is to be discussed by the people's assembly in the coming weeks.

The improvement in the current account mainly results from the 19 per cent decline in imports. This helped to cut the trade deficit by 7 per cent, compared with 1985/86. On the invisibles side, a fall in remittances was offset by increased earnings from tourism and reduced interest payments on external debt, as arrears were allowed to build up ahead of the Club of Paris rescheduling agreement, signed in May.

The report notes that tight monetary controls kept money supply growth to 5.6 per cent in 1986/87, against 13.1 per cent the previous year. Deposits increased by just above 29 per cent, compared with 16 per cent in 1985/86. The increase in total loans fell to 22 per cent from 29 per cent.

The use of foreign currency in the state

**Egypt: balance of payments, 1985/86-1986/87<sup>1</sup>**  
(\$ million)

	1986/87 <sup>2</sup>	1985/86
Exports	2,266	3,576
Imports	7,130	8,823
Trade deficit	4,864	5,246
<b>Current account deficit</b>	<b>933</b>	<b>1,936</b>

<sup>1</sup> Fiscal years run from 1 July-30 June

<sup>2</sup> Preliminary

Source: Central Bank of Egypt, Cairo

budget fell by 35 per cent to £E 6,091 million, from £E 9,418 million the previous year. The decline is attributed to the debt servicing arrears, in the light of the rescheduling negotiations. The report says the budget deficit fell to £E 573 million, from £E 1,833 million in 1985/86.

**Consultants (Ambric).** The contract is for limited essential treatment of 1 million cubic metres of effluent a day. Plans call for Gabal el-Asfar to be upgraded to provide full treatment at a later stage, subject to the approval of fresh finance.

The estimated cost of contract 10(a) is £20 million-25 million sterling (\$32 million-40 million), plus £E 80 million (\$36 million). The work entails installing a screw-pump and bypass system to channel effluent into existing drainage networks. It is for completion in 1991-92. Finance will come from the £185 million sterling (\$296 million) UK lines of credit allocated for east bank work.

The second stage — for which finance has yet to be allocated — is estimated to cost £90 million sterling (\$144 million), plus £E 450 million (\$204 million). International contractors have been invited to notify the CWO if they might be interested in working on this stage and if they have any suggestions about possible sources of finance.

**Paris Club deals move ahead**

Agreements on the details of debt rescheduling arrangements are to be signed in the coming weeks with the US, Japan, the UK and West Germany, Cairo diplomats say. The government has acknowledged that the original 31 October deadline for completing the rescheduling negotiations, according to the Club of Paris agreement signed in May, will be missed. But it is hoped the talks with 18 international creditors can be concluded by the end of the year (MEED 10:10:87).

France is the only Paris Club creditor to have finalised details of the rescheduling. The 10-year deferral of French payments totalling about FF 10,000 million (\$1,600 million) is to be financed at a small spread above the London interbank offered rate (Libor). The government originally asked for concessionary rates, but the French negotiators insisted that the Paris Club agreement specified the use of market rates. Other creditors party to the Paris Club deal have expressed relief that France did not yield on this crucial point.

US officials say they expect to sign an agreement to reschedule payments totalling just above \$1,700 million by mid-November. The American package is regarded as the most complicated in the Paris Club deal because of the different interest rates used by Washington's various lending agencies. Nine rates are being applied for financing the rescheduling.

The total amount of payments being deferred in the Japanese package is about ¥ 40,000 million (\$280 million). Roughly one-third is in the form of official debt; the remainder is government-guaranteed credits.

Agreement has yet to be reached with West Germany on the size of the official debt repayments to be rescheduled. The government-guaranteed portion of Bonn's package is put at about DM 230 million (\$127 million). The UK is rescheduling payments totalling about £77 million sterling (\$124 million).

The Paris Club deal covers roughly \$7,500 million in payments to western creditors, plus about \$4,500 million to Gulf