

Energy Insider by Thierry Lalevée

Egypt is going nuclear!

For Egypt to maintain its commitment to higher sources of energy has not been easy: A major obstacle is the IMF.

At an estimated cost of \$36 billion, Egypt will build eight nuclear power plants between 1985 and the year 2005 of 1,000 megawatts each! The first step of that large-scale development program, the first of its kind in the African continent and only second behind India throughout the developing sector, will be taken by the end of June when Cairo signs the first deal with one of the three competing companies, France's Framatome, West Germany's KWU and America's Westinghouse. Each have offered a first 1,000 megawatt plant with prices from \$2.5 billion to \$1.1 billion or \$1.5 billion, with Westinghouse ready to begin work for a second plant, too.

Announcing the news at the beginning of May, Egyptian Minister of Energy and Electricity, Engineer Maher Abaza, didn't reveal which of the three companies would be chosen by the Egyptian Nuclear Power Plants Authority, which was set up several years ago to map out a new energy strategy. However, he stressed that the first plant would be located at el Dabaa some 150 kilowatts west of Alexandria on the Mediterranean coast and that the first \$700 million needed to set the process into motion had been secured through the creation in recent years of a special fund coming from oil sales.

The remaining financial participation will be contributed by the state-credit agencies of the concerned companies.

For Egypt to maintain such a commitment, taken several years ago, to higher sources of energy, has not been

easy, and it will meet quite a few obstacles in the future. Indeed, while Cairo requested some \$2 billion of additional economic aid of the United States, it will not receive more than \$500 million by the end of this year, and is in the midst of harsh negotiation with the International Monetary Fund (IMF) for another \$500 million loan.

The IMF bluntly refused to consider a \$1 to \$2 billion loan because of the Egyptian refusal to implement its full conditionalities. It agreed to such a loan on the ground that, following the advice of the IMF, the Egyptian pound has been de facto devaluated by more than 20% since the beginning of the year.

However, only this year, Cairo to pay some \$481,600,000 in debt service on its military debt with the United States. Failure to meet such a payment last September was immediately answered by threats from the American Congress that Cairo would be cut from aid altogether by July 1985. By February 1985, just before Mubarak's visit to the United States, Cairo paid it.

More dramatic has been the rapid fall in Egypt's foreign currency earnings, as the oil prices decreased and as the market got saturated. A direct consequence has been a fall in the remittances of Egyptian workers abroad from \$3.6 billion in the 1983-1984 period to \$1.5 billion for the 1984-1985 period, according to Prime Minister Hassan Ali.

Though some have been tempted to blame such a decrease on the economic measures adopted by the for-

mer Economic Minister Mustafa al Saeed—who resigned last March under pressures from the IMF and the banking mafia, and was blamed for measures which allegedly scared foreign investors and workers alike—the reality is otherwise. The oil markets crisis has led many Gulf countries to lay off most of the foreign workers, directly in the oil industry and elsewhere.

Despite such a financial burden, nuclear energy has rapidly emerged as a *sine qua non* condition for the survival of Egypt. Egypt's main source of energy for the past three decades has been the Aswan Dam, which has become too vulnerable. The continuing drought in Africa has lowered the water level of the dam from 184 meters to 124 meters, paving the way for a potential major crisis by next year. Already some of the major development projects in the desert, which require major irrigation work, may have to be curtailed to supply the already existing cities and industrial sites. In the long term, this is undercutting Egypt's ability to expand as it must.

It is a fact that Egypt's population will continue to grow, and that Egypt needs more labor power. Development projects in the desert, building new cities, and developing new agricultural areas are simply essential and cannot be stopped. Hence, coupled with the development of nuclear capabilities which should supply Egypt with the energy needed to expand, Cairo has begun major water-management projects inside Egypt first.

New irrigation channels are being built around the major cities, together with plants to recycle the used waters. A simultaneous step is to upgrade the water-management of the Nile river from the Delta to Uganda, going through Sudan and the urgently needed Jonglei Canal. Nothing less than that can be done now.