

*INSS Insight* No. 1231, November 25, 2019

**The Suez Canal: A Route for Cultivating the Peace with Egypt**  
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**Egypt is currently marking the 150<sup>th</sup> anniversary of the opening of the Suez Canal. The centrality of the Canal has increased since August 2015, when President Abdel Fattah el-Sisi inaugurated the New Suez Canal – an engineering project intended to increase the revenues from the Canal. An interim evaluation of the project and the efforts at development of the Suez Canal Economic Zone indicates successes alongside disappointments, and sheds light on the challenges awaiting Egypt in the coming years. These challenges include: the mobilization of investments for the development of the Canal Economic Zone; the reduction of bureaucratic impediments facing investors; and the training of a suitable workforce. Israel and Egypt have a common interest in nurturing and intensifying their relations surrounding the Canal along the following channels: secured shipping in the Canal and along the maritime routes leading to it, in the face of possible threats from Salafist-jihadist terrorist forces and from Iran and its proxies; the expansion of economic cooperative efforts in the industrial zones along the Canal; and the initiation of urgent regional activity aimed at reducing the ecological damage caused by the invasion of species from the Red Sea to the Mediterranean Sea via the Canal.**

On November 17, 2019, Egypt marked the 150<sup>th</sup> anniversary of the opening of the Suez Canal. The Canal was inaugurated in 1869 with an impressive ceremony attended by the world's elite, and over the years became an important shipping artery – currently 10 percent of world trade passes through it. The Canal's status increased further during the era of President el-Sisi, who in August 2015 inaugurated the New Suez Canal with an event intended to recreate the opening of the original Canal. The 2015 ceremony branded the Canal's upgrade as the regime's flagship project, whose aim was twofold: 1) to increase the revenue of the Canal by expanding the traffic passing through it – more ships and larger ships in less time; and 2) the development of service and industrial zones along the Canal for the purpose of maximizing its economic potential.

In addition to its economic benefits, the New Canal project had political goals. The first was to strengthen the public legitimacy of the el-Sisi regime as the force leading Egypt into a new era of prosperity. The project's completion in accordance with a strict one-year schedule involving complex engineering cooperation and the demonstration of a high level of governance was presented as an antithesis of the chaos of the revolutions of the Arab Spring. Its second goal was to improve Egypt's international standing and mobilize external support for its stability. The third was to raise national morale by marketing the project as an extension of Egypt's ability to meet the challenges it faces and to build its future.

The engineering project was divided into two: 1) digging a new 35-kilometer canal in parallel to the existing canal, and 2) increasing the depth and width of some of the existing shipping route over an additional 37 kilometers. The project has enabled the two-way passage of ships along approximately 50 percent of the Canal route and decreased the time of passage from 18 hours to 11 hours and the waiting time for passage from 8 hours to 3 hours. The Canal's maximum capacity was increased from 49 to 97 ships per day, including huge vessels. The project cost approximately \$8 billion and was carried out by 53 companies, 40,000 workers, two army regiments, and 75 percent of the world's fleets of dredgers.

### **The New Suez Canal: An Interim Assessment**

An interim assessment of the achievements of the New Suez Canal indicates successes alongside disappointments. Although in its first four years of operations the improved Canal recorded a number of new records, they are still far from the aims that were set for the project for the year 2023. The major disappointment pertains to the Canal's revenue from tolls. The project forecasted that income would increase from \$5.3 billion in 2014 to \$13.4 billion in 2023 (an increase of 259 percent). According to official data published by the Suez Canal Authority, the actual income for 2018 stood at \$5.9 billion (an increase of approximately 11.2 percent from 2014). The profit for 2019 is expected to stand at only \$6.1 billion.

This moderate increase in the income generated by the Canal has stemmed primarily from global trends that are beyond Egypt's control, including the drop in fuel prices, which has decreased the Canal's attractiveness in comparison to alternative shipping routes, and the slowed economic growth of China and world trade. At the same time, the disappointing outcomes supported the criticism that has accompanied the project from the outset, which maintained that it was based on unrealistic growth forecasts regarding the scope of world trade. Whereas the el-Sisi regime emphasizes the gradual increase in the Canal's revenue, its critics view the results of the project as proof that it was meant from the outset to serve short term political needs, that it was conducted without sufficient preliminary research, and that it saddled Egypt with an unnecessary burden in a period of economic crisis.

The scope of shipping traffic in the Canal in 2018 reached an average of some 50 ships per day, as opposed to 47 in 2014 (a moderate increase of approximately 6.3 percent). A more significant improvement was recorded in the weight of the cargo that passed through the Canal, which in 2018 reached approximately 1.14 tons (an increase of approximately 18.3 percent from 2014). Thus, the Canal was used by larger ships carrying heavier cargo, some of which were unable to pass through before its depth was increased. In this manner, a solution was provided to meet the global trend of the increasing use of large cargo ships, which facilitates a savings in fuel and passage fees. The growth in shipping traffic has continued in 2019, with the Canal registering a one-time record of the passage of 81 ships in one day, and hosting some of the largest cargo and passenger ships in the world.

### **The Canal's Economic Zone: A Situation Assessment**

When the New Canal was opened, Egypt announced the establishment of 42 auxiliary projects in its economic region aimed at maximizing its profit potential. Senior Egyptian officials explained that “it is not fitting that, since the opening of the Canal in 1869, Egypt has limited itself to the role of a commissioner collecting passage fees.” Indeed, in accordance with the plans that were proposed in part during the previous period, Egypt sought to create growth engines in the Canal, and to endow it with added economic value by turning it into a world center of ports, logistics, cargo loading and unloading, repair and refueling of ships, and industrial and trade zones. The projects that were planned were supposed to provide some two million future jobs for inhabitants of the cities along the Canal and in the surrounding areas.

An interim achievement of the auxiliary projects also reflects mixed results. On the positive side is Egypt’s success in raising \$25 billion in investments. In addition, significant progress was achieved in the Suez Tunnels, a project estimated at approximately \$4 billion meant to ease regional access to the industrial zones under construction around the Canal and facilitate improved geographical connectivity between the Sinai Peninsula and the heart of the country. The two first underwater tunnels, at a length of some six kilometers, opened in May 2019 in Ismailia and now enable vehicles quick passage from one bank of the Canal to the other. The project, which was described as “a new crossing” of the Canal, will soon be joined by two tunnels in Port Said, through which trial trips were conducted in October.

On the other hand, many of the projects in the Canal zone are still in initial stages of development. The first stage of construction of the Technology Valley project in Ismailia, which is supposed to create some one million jobs, was completed in May 2017; since then, no new progress has been reported. In 2018, Egypt and Russia agreed on the establishment of an industrial zone in east Port Said that is supposed to create 35,000 jobs. China also views the Canal’s development as an important link in the One Belt One Road initiative, where Egypt will serve as a market for products and provide a cheap labor force for its factories. In January 2016, the Chinese company TEDA signed an agreement regarding the development of the Canal’s Economic Zone, and as of the end of 2019 it is engaged in the second stage of the project, which is supposed to create 40,000 jobs. The first stage of construction of a new city named New Ismailia began in May 2019.

The Suez Canal Economic Zone is at the top of the list of economic development plans that appear in the Egypt 2030 vision statement, which announced by the Egyptian Ministry of Planning in January 2018. However, while the Canal Economic Zone is supposed to generate approximately \$25 billion per year in the future, its actual profit in 2018 totaled only approximately \$136 million. The gap between promises and current reality thus far highlights the challenges that still face the Egyptian regime in order to enable it to achieve its aims. They include: the mobilization of additional investments in the development of the Canal region; reduction of bureaucratic impediments that currently deter investors; and the training of quality manpower that is suitable for the needs of the job market.

**Opportunities for Cooperative Efforts with Israel**

Whereas during the period under President Gamal Abdel Nasser the Canal was viewed as a symbol of Egypt's struggle against Western colonialism and against Israel (which was perceived as its proxy), today the Canal has a new status. More than anything, the Canal symbolizes Egypt's openness to the world and its aspiration to serve as a link connecting East and West, to acquire tools of science and progress, and to develop its economy. Moreover, the Canal, which was at the center of past wars with Israel, now offers both countries opportunities for multi-layered cooperation in the security, economics, and environmental realms.

In the security realm, both armies have long since been cooperating in the struggle against terrorism in the Sinai Peninsula. The Egyptian army has thus far succeeded in preventing an attack along the Canal route by Salafist-jihadist terrorist organizations, which could cause severe economic harm and damage the global image of the Canal as a secure waterway. Israel has a direct interest in the security of the Canal, through which some 20 percent of its maritime external trade passes on its way to the Far East. In addition, Israel, Egypt, and other countries have an interest in working together to secure the shipping routes in the Red Sea (that lead to the Suez Canal and the Gulf of Eilat) against possible threats by Iran and its proxies. The stronger the trust between the two sides, the more Israel will be able to consider sharing cyber defense technology for securing the communications, logistics, information, and computer systems that serve the Canal and its ports.

In the economic realm, as part of the Qualifying Industrial Zones (QIZ) agreement, three known Israeli-Egyptian industrial areas that are exempt from duty on exports to the United States have long existed along the Canal – in Port Said, in Ismailia, and in Suez. The development drive in the Canal's economic region provides Israel and Egypt with an opportunity to encourage the expansion of cooperative efforts between them, including joint hi-tech ventures (for instance, in the Technology Valley in Ismailia). Egypt, Israel, and the United States can also examine the possibility of incorporating China into the QIZ agreement, in light of its interest in building factories that enjoy an exemption from US duties. The economic development of the Canal also holds security importance, as increasing the employment opportunities enjoyed by the local population of the northern Sinai Peninsula will help rid the region of terrorist activity and smuggling to the Gaza Strip.

In the environmental realm, coping with the damage from the Suez Canal to the Mediterranean Sea is a concrete, urgent area of cooperation in which Israel, Egypt, and other Mediterranean states must join forces. The studies of marine biologists headed by Prof. Bella Galil indicate that the widening and deepening of the Canal from the days of Nasser to the rule of el-Sisi have created a maritime corridor through which hundreds of species are invading the Mediterranean Sea from the Red Sea and destabilizing the ecological system and biological diversity. An example is the swarms of jellyfish that impede beach tourism, the fishing population, desalination facilities, and power stations in the eastern basin of the Mediterranean Sea. Stopping the worsening damage requires quick mobilization across the region. One proposed solution is to transfer the

concentrated salt produced by desalination facilities that are planned to be established in the Canal region to the Bitter Lakes that separate its southern and northern parts, with the aim of creating an obstacle of salinity for some of the species passing through it. In light of the urgency of the matter, this should be considered a foremost priority.