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The Blocking of the Suez Canal: Lessons and Challenges

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In late March 2021, maritime traffic in the Suez Canal was blocked in both directions, after a ship ran aground in the canal. The event exposed the vulnerability of the global trading system, and highlighted the medium and long-term challenges to international transportation of marine cargo in general, and for Egypt in particular. For Israel, the crisis resulting from the obstruction of the Suez Canal showcases its potential for serving as a land bridge between Eilat and the Mediterranean Sea. The Europe Asia Pipeline Company has pursued this idea in the energy sector for many years, even if only to a limited extent, and there is an initiative to use the route in order to transport oil and refined oil products from United Arab Emirates to Europe. Any future Israeli project, however, must take into account the concerns of Egypt, for whom the Suez Canal constitutes not only an important source of revenue, but also a national symbol. Jerusalem should coordinate plans with Cairo, act transparently, and strive to avoid implementation of these plans at Egypt's expense, if possible. In addition, Israel should assess the environmental risks of these projects to the land and marine nature reserves in the south of the country, and seek to contain ensuing environmental damage.

In March 2021, for the first time since the Suez Canal was reopened in 1975, traffic was blocked by the huge cargo ship *Ever Given*, which in turn left stranded hundreds of ships carrying cargo worth billions of dollars. Dislodging the ship, which took six days, was compared in Egypt to the Six Day War and breaking through the Bar Lev line in the Yom Kippur War. The *Ever Given*, en route from Yantian in China to Rotterdam, is one of the longest ships in the world (400 meters) and one of the heaviest (224,000 tons). The ship's capacity is 20,000 containers, and when it went through the Suez Canal, was filled almost to capacity.

The Suez Canal is a vital passage for world trade, through which over 12 percent of total global trade passes annually. Its strategic location provides a rapid connection between Eastern and European markets. For example, a ship traveling from Taiwan to the Netherlands at 30 kilometers per hour through the alternative route around the Cape of Good Hope will have to travel 13,500 nautical miles in 34 days before it anchors at

Rotterdam Port, compared with 10,000 nautical miles in 25.5 days through the Suez Canal.

The obstruction of the canal temporarily disrupted the global supply chain. Lloyd's List Intelligence estimated the cost of the blockage to the global economy at $9.6 billion, taking into account that the Suez Canal was blocked in both directions. The event will undoubtedly raise the cost of the maritime insurance, at least through the Suez Canal, given the exposure of the shipping lane's vulnerability.

Global Maritime Cargo Transportation

According to figures from the World Trade Organization (WTO) published in late March 2021, the COVID-19 crisis reduced world trade (land, maritime, and air) by only 5.3 percent, compared with the early forecast of a drop of over 10 percent. For the sake of comparison, world trade fell by 12.2 percent in 2009 as a result of the 2008 financial crisis. The WTO expects world trade to grow by 8 percent in 2021. Maritime transport is the main vehicle for the transportation of goods, accounting for approximately 80 percent of total worldwide trade in goods. The COVID-19 crisis, which slashed the volume of international flights and thus air cargo transport, made maritime cargo transportation even more important. The demand for containers, the increase in raw material prices, and the strengthening of the yuan against the dollar caused a large increase in container prices and the cost of maritime cargo transportation. The blocking of the Suez Canal temporarily aggravated the situation even more.

Rapid transport of goods is one of the benefits of globalization for consumers and business companies throughout the world. The steep rise in international trade caused by globalization also generated changes in maritime transportation of goods. According to international insurance giant Allianz Global, the capacity of containers has doubled in the past decade. This trend has also affected the traffic in the Suez Canal. A daily average of 51.7 ships passed through the Suez Canal in 2019, carrying 3.3 million tons of cargo. A decade ago, the maximum capacity of the ships was 10,000 containers; it is now 20,000 containers. Because of the size of the modern ships, there have been increasing warnings in recent years about a blockage in the Suez Canal such as the one that recently occurred.

The incident in the Suez Canal mandates international attention to three matters:

1. Terrorist threats: The obstruction of the Suez Canal highlighted the vulnerability of the world trade system and the existing dependence on the principal trade routes. Terrorist organizations, among them the branch of the Islamic State active in northern Sinai, are liable to exploit this vulnerability through attacks on important trade routes, many of which pass through sensitive strategic regions, including the Strait of Hormuz and the Bosphorus.

2. Alternative trade routes: The incident proved that it is best for the regional and global trade networks to avoid dependence on a single major trade route. The Suez Canal significantly shortens the time needed to transport goods from East to West, but its obstruction demonstrated the over-dependence on this route, and that alternatives for the passage of goods from Asia to Europe are needed. The crisis is likely to boost considerations for opening the Arctic route, currently used mainly by Russia, and which can shorten the travel time from China to the Netherlands to just 15 days. The difficulty in developing the route is that it requires melting icebergs and is liable to damage the ecological system. The blocking event in the Suez Canal, however, strengthens the arguments in its favor, and in any case, global warming advances glacier melting and the opening of this route.
3. Enlarging independent production capacity: The COVID-19 crisis initially affected production in East Asia, and thereafter the global supply chains, which caused a shortage of certain products. This phenomenon gave rise to the idea of maintaining greater independent production capacity. The blocking of the trade routes in the Suez Canal is likely to reinforce this line of thinking.

Lessons for Egypt

Egypt heaved a sign of relief when the *Ever Given* was dislodged, and portrayed it as a national achievement at the hands of local Egyptian engineers, with the help of a Dutch rescue company. Royalties from ships passing through the Suez Canal are an important source of foreign currency for Egypt, amounting to nearly $6 billion annually in direct profit for the Egyptian state treasury – 2 percent of Egypt's GDP. Every day that the Suez Canal was closed cost Egypt an estimated $13 million in direct damage, but the potential damage to the country's image is more significant. Following the dislodging of the ship, the Suez Canal Authority confiscated it from its owners and demanded $900 million in compensation for the rescue operation, the costs of the shutdown, and loss of revenue caused by the blocking of the Suez Canal.

During the crisis, Egyptian President Abdel Fattah el-Sisi told the rescuers of the ship that Egypt's reputation rested on their shoulders. After the ship was dislodged, he made a commitment to investigate the circumstances of the event and take steps to ensure that Egypt would be able to continue fulfilling its function as a global maritime artery. Commenting on the possibility that Egypt would have to compete with alternative trade routes in the future, el-Sisi noted that every country was entitled to act according to its interests, and that Egypt would do so as well.

Indeed, together with plans to widen the southern part of the Suez Canal route, Egypt is building its own alternative trade routes on land. In early 2021, Egypt announced a $3

billion plan to build a high-speed railway to transport goods and passengers that would connect the ports of Ain Sokhna on the Red Sea and El-Alamein on the Mediterranean Sea, and pass through the new administrative capital. The expected travel time is three hours. In addition, el-Sisi announced the development and imminent opening of additional seaports on the Red Sea and the Mediterranean Sea.

Egyptian experts emphasize that no alternative trade route can compete with the Suez Canal's geographic location, which has unique advantages, among them fewer accidents than other global trade routes; lower costs than land trade routes requiring loading and unloading of goods; future options for widening and deepening the Suez Canal route, if necessary; and advanced control systems.

Significance for Israel

The blocking of the Suez Canal highlights Israel's potential for offering a land bridge from Eilat to the Mediterranean Sea. The Europe Asia Pipeline Company (EAPC) has pursued this idea in the energy sector for many years, although to a limited degree only. Today there is a venture to transport oil and refined oil products from the United Arab Emirates to Europe along this line. If realized, it will raise the number of containers that dock at the EAPC port in Eilat, alongside beaches and coral reefs, from an annual 1-5 containers to several dozen containers each year.

In addition, Israel can provide infrastructure for world trade by transporting goods between the Port of Eilat and ports on the Mediterranean Sea. Realizing this idea requires faster construction of the railway to Eilat and an increase in the capacity of seaports in Israel. In January 2012 Prime Minister Benjamin Netanyahu said that the railway line would transport not only passengers (within Israel), but also goods from Asia to Europe. Transportation of goods via Israel will not replace traffic in the Suez Canal, because trade volumes are continually rising, and the Suez Canal allows continuous transportation of goods, while transportation via Israel requires unloading and loading. Although the tests conducted cast doubt on the economic viability of a railway line to Eilat, and the project incurs ecological risks, Israel regards this railway as a strategic asset that can connect the southern city and the communities along the railway line with central Israel, and will enable Israel to offer an intercontinental traffic route, even if limited. In order to convert the Eilat track to a significant land bridge for cargo transport, the Port of Eilat will have to be expanded in a way that may severely damage the gulf’s marine ecosystem.

In any future project, Israel must take into account the concerns of Egypt, for whom the Suez Canal constitutes not only an important source of revenue, but also a national symbol. The Israeli plans are not designed to have much influence, if any, on the volume of traffic in the Suez Canal, but the mere speculations of alternative routes arouse

concern in Egypt and fan anti-Israel conspiracy theories. Jerusalem should therefore coordinate its plans with Cairo, take care to act transparently, and strive to avoid implementing these plans at Egypt's expense, to the extent possible.

In addition, such projects have a high potential to cause irreversible environmental damage to the land and marine nature reserves in the south of the country. Deliberate or accidental damage to the oil containers in the Gulf of Eilat / Aqaba may be catastrophic for the coral reefs there and severely hurt the tourism industry in Eilat and Sinai. Therefore, Israel would do well to review the EAPC initiative and related projects, and weigh their relative strategic, economic, regional, and environmental advantages and risks.

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