

The expected economic effects of the new Suez Canal project in Egypt

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Abstract: The current Suez Canal is considered as one of the most important navigation lanes in the world as the world one tenth trade goes through it. However, its annual revenues do not exceed \$ US 5 billion dollars. The Current Suez Canal is narrow and not deep. It depends on one direction navigation alternatively; which leads to a long waiting period. In spite of expansion and deepening attempts, most of giant ships cannot go through the canal and are forced to turn around the Cape of the Good Hope. The current Suez Canal is not optimally exploited despite of its economic importance as there are no adjunct ports services, logistic and industrial centers, ship maintenance and repair workshops, stores and transit trade, etc as existed in other states .The Suez Canal is facing as well important challenges due to the world competition and the attempt of some states particularly Israel to compete against the Suez Canal through several projects that threaten the Suez Canal. Thus, the Suez Canal cannot cope with such challenges except through its contribution to provide attractive privileges for the world trade transition such as efficient and least cost services that can be provided within the shortest time, competitive prices, adoption of world standard technical and management systems and flexible reaction with the technological and economic changes through creating logistic zones and economic fields around the canal to attract further investments in the fields of technology, trade and industry. Therefore, the new Suez Canal project and the project developing current Suez Canal and its surrounding area has posed since its effect on 5th August 2014 domestic, regional and international interest as being one of the national strategic projects that has several economic, development, political, social and regional dichotomies. The study aims to identify the development of the new Suez Canal concept. The study has adopted the descriptive analytical technique.

Keywords: New Suez Canal project, Financing- Economic effects, Challenges and risks, Egypt

1- Introduction:

As number of political, economic and social consequences resulted from the January 25, 2011 revolution in Egypt. The most important consequences are the toppling of the ruling regime and transformation into a democratic political regime aims to eliminate all types of corruption and the optimal exploitation of available economic resources and achieve social justice. The Suez Canal and its surrounding area particularly Sinai are considered as ones of the most important unexploited economic resources. It remained neglected for a long time and was not included within the economic development system in spite of its great economic importance to Egypt [1]. Suez Canal was considered, since its establishment in 1869, as the most important the most important artery and waterway for the world trade between the east and the west. It is the most important waterway for the petroleum movement between the production sources and the consumption markets. Thus, it has a great impact in affecting the states economies [2] .Suez Canal is

considered as the first military defense line of Egypt as it is a strong water impediment that can be hardly crossed. It has a military prominent and effective role as a monitoring and early alarming station against the Israeli enemy in 1967 and 1973. In addition, it is considered as a path and gateway for the military caravans heading from the Midetearan Sea to the Red Sea. The Suez Canal strategic significance has led to the increasing conflict among the great powers on the Middle East influence [3].

Toppling president Morsy's regime after January 25 revolution 2011 due to the escalated economic and political crises; the increase of categorical demonstrations; social division; wide-scale popular rejection of the one party-based government policy; the absence of containing policy and the inability to run the country's affairs, president Sisi was elected to rule Egypt with great popular will. Under the growing current Egyptian policy will, Egypt has witnessed the implementation of some national great projects among which the most important one is the new Suez Canal project, the project of developing current

Suez Canal and its surrounding area alongside the canal. It is necessary to take into considerations the close relation between the new project and the Egyptian national security and its military and economic dichotomies. The new project aims to transfer that area into a world center for logistic and industrial areas and world trade service as a main axis for economic development in Egypt, particularly the location as advantages and characteristics that qualify it to become a world center for industrial economic zones, distribution of transit trade, logistic services for ships and trade crossing the Suez Canal [4]. Therefore, the new Suez Canal project and the project developing current Suez Canal and its surrounding area has posed since its effect on 5th August 2014 domestic, regional and international interest as being one of the national strategic projects that has several economic, development, political, social and regional dichotomies.

2- Problem of the research:

Egypt is facing several domestic, regional and world challenges that impede the benefit from the available relative and competitive privileges, particularly its strategic geographic position. The Suez Canal is facing as well important challenges due to the world competition and the attempt of some states particularly Israel to compete against the Suez Canal through several projects that threaten the Suez Canal. Among them are the Israeli project to develop Elaat port development, the Russian waterway project in the North Pole, Cyprian railways project lanes, and the project of Panama Channel expansion and deepening. In addition, there are other competing projects like the fees reduction of transportation cost, medium of communication, and the increase of national gross product in several developing countries.

The current Suez Canal is considered as of the most important navigation lanes in the world as the world one tenth trade goes through it. However, its annual revenues do not exceed \$ US 5 billion dollars. The Current Suez Canal is narrow and not deep. It depends on one direction navigation alternatively; which leads to a long waiting period [5]. In spite of expansion and deepening attempts, most of giant ships cannot go through the canal and are forced to turn around the Cape of the Good Hope. The current Suez Canal is not optimally exploited despite of its economic importance as there are no adjunct ports services, logistic and industrial centers, ship maintenance and repair workshops, stores and transit trade, etc as existed in other states like Dubai port, Jabal Ali project in the United Arab Emirates [6].

Thus, the Suez Canal cannot cope with such challenges except through its contribution to provide attractive privileges for the world trade transition such as efficient and least cost services that can be provided within the shortest time, competitive prices, adoption of world standard technical and management systems and flexible reaction with the technological and economic changes through creating logistic zones and economic fields around the canal to attract further investments in the fields of technology, trade and industry.

In the light of these challenges, it is necessary to expedite the implementation of the new Suez Canal project in order to

hinder the plans and aspirations of those states and its competitive projects. Therefore, the idea of expansion and deepening the current canal project initially starts. The new sub-canal will be linked to the original canal forming the P letter as ships which need maintenance; storing or other services will enter that new subway canal without impeding the main navigation waterway. It is considered as an encouraging stimulus to face those future challenges. It is also considered as a preliminary step to develop the whole district ahead [7].

3- Aims of the research:

The study aims to identify the development of the new Suez Canal concept and idea in light of the mega national projects and the world logistic centers with the focus on financing, cost, and the proposed duration to implement the project. It also aims to clarify the expected economic effects of the new Suez Canal project. The study will as well the challenges, risks and the pros and cons of the project. Finally, the study reviews its most important recommendations and findings.

4- The research approach:

The study has adopted the descriptive analytical technique through determining the relationship between the new Suez Canal project construction and the surrounding area development and its expected economic consequences including the national product increase, growing world trade movement; providing job opportunities; strengthening the domestic currency exchange rate; the direct foreign investment; the urban development and the food security.

5- The Research hypotheses:

The study has relied on the following hypotheses:

- There are world trade and economic changes with negative impacts on the Egyptian economy.
- There are several challenges facing the new project and aim to hamper its accomplishment.

6- The research plan:

First: Concept of mega national projects and the world logistic centers.

Second: The development of the new Suez Canal project concept and idea.

Third: cost, proposed duration to implement the new Suez Canal project.

Fourth: Financing the new Suez Canal project.

Fifth: The expected economic impacts of the new Suez Canal project.

Sixth: The pros and cons of the new Suez Canal project.

Seventh: Challenges and risks facing the new Suez Canal project.

Eight: Recommendations and findings.

First: Concept of mega national projects and the world logistic centers: The mega national projects refer to the state investable orientation towards the overall economic development in spite of the large cost required to fulfill those projects either through new projects or accomplishment of outstanding projects. The selection of a certain project means discarding another project. The mega national projects are long term projects which are usually of high risk nature unless a feasibility study was conducted in a strategic and integrated way. Those projects are often carried out at different phases till its accomplishment and achieving proper returns. Therefore, it is necessary to take into considerations the alternate opportunity cost of those projects [8].

The logistic centers concept refer to a free zone located on a certain port to gather all the added-values activities such as assembly, packing, quality monitoring, brands ticketing, and products and validity testing. The logistic centers provide other service activities such as insurance, banking works, entertainment activities and so on. This paves the way to re-export those goods to their final destinations. Linking the center with the networks of land, air and maritime transportation is one of the most important fundamentals for its world success. The economic objectives behind establishing logistic centers include establishing a zone to attract foreign capitals; bringing modern technology systems; create job opportunities; contributing to the national income increase; linking the domestic economy with the world changes; supporting the competition opportunities in the foreign markets and activating the domestic markets [9]. The logistic services and transportation market size in the Middle East region estimated about \$ US 35 billion dollars by the end of 2012. The Arab Gulf states played a paramount important role in this sector growth at the regional level. It possessed \$ US 27 billion dollars of the logistic service market where the Emirates (Dubai) share estimated \$ US 9 billion dollars by 33% [10]. Egypt is not a newcomer in the field of mega national project as it has different previous experiences. Some of these projects were successful like 'the High Dam' and some were of failure like 'Toshka project' in spite of 17 years lapsed since its beginning. The idea of the new Suez Canal project is not a new one to the Egyptian government as it has been posed long years ago without implementation. This is attributed to the

government need for a longer time to conduct detailed studies to ascertain its strategic, social and economic feasibility.

Second: The development of the new Suez Canal project concept and idea: The Suez Canal is a water channel situated west of Sinai peninsula; it is a navigation passage with the length of 193 kilometers in Egypt between Port Said on the Mediterranean and the Suez on the Red Sea. Its depth estimated 24 meters, width 226 meters on surface, 92 m2tters in the bottom. This allows some big ships to cross the canal. The Suez Canal was dug in the reign of Khedive Ismail in 1869 according to the ships number at that time. Its construction spanned ten years. The Canal allows the transit of ships from the Mediterranean and European states to reach Asia without going through a long route, that is, the Cape of the Good Hope route around Africa [11].

The idea of 'the New Suez Canal project' dates back to the reign of Late President Sadat particularly at the end of 1970s. The idea has been posed without implementation during the reign of President Mubarak justified by the nonexistence of challenges and risks threatening the national security during that whole period in spite of the project economic significance. The eruption of January 25 revolution and when President Morsy came to office, the idea was posed once again through the preparation of a law draft to develop the current Suez Canal district. The law draft has been met with several criticism because of its risks and security gaps that threaten the Egyptian national security including as the investors' identity was not determined in the canal district, particularly after the declaration that Qatar and Turkey were assigned to carry out the tasks of project planning and implementation. This has led to a wave of popular anger and rejection of the law draft and thus the incompleteness of the project as a whole. The increasing tone of foreign intervention in Egyptian domestic affairs, the escalated economic and political crises; the increase of categorical demonstration, the social fragmentation, the popular rejection of the one party based government (Freedom and Justice party), absence of containing policy, inability to run the country affairs; which was one of the results that led to toppling President Morsy regime and election of President Sisi with overwhelming popular will.

When President Sisi assumes office, the project idea was differently posed once again from its previous planning. The project maps were entirely modified to preserve the Egyptian nation security and the decision was made to start the project effective 5th August 2014 and will be fully accomplished within a year with fully Egyptian financing [12]. The new project was assigned to the Egyptian companies consortium (The Arab Contractors co., the Armed Forces engineering authority; Oraskom for construction Co.) in order to reduce spending and preserve the priorities of national security, avoiding foreign companies that work on behalf of an international corporations aim to impede the project and make it a failure. The new project has avoided the error of the former President Morsy's project. The error included the adjacency of the development projects to the navigation waterway of the east and west sides of the Suez Canal. Meanwhile, the new project of President Sisi entails leaving a distance of 15 kilometers in the two directions for the Egyptian national security needs. The new project entails as

well the establishment of 8 undergrounds under the Suez Canal according to the Egyptian Armed Forces requirement. The new Suez Canal project includes the construction of a new parallel channel to the current one with the length of 35 kilometers starts from Kilometer 60 and ends at the kilometer 95 of the current Suez Canal numeration. In addition, the Canal will be deepened and expanded with the length of 37

kilometers. Thus, the new canal total length will be 72 kilometers starts from kilometer 50 till kilometer 122 of the current Suez Canal numeration [13].

The following table briefly clarifies the new Suez Canal project description and the current canal development

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Criteria	Description
Project aim	The project aims to construct a new parallel canal to the current Suez Canal with the length of 35 kilometers and the deepening and expansion the current canal by 37 kilometers.
The proposed period for project accomplishment	The project proposed period was gradual from 5 years to 3 years. Then, one year only starts on 5/8/2014 and ends on 5/8/2015.
The proposed project cost	The project total estimated cost is about \$ US 8.2 billion dollars equal to L.E. 60 billion pounds.
The project supervision	The Armed Forces is the main project supervisor and the project implementation process is carried out by 25 civil Egyptian companies
Project management	The Suez Canal Authority and representatives of ministries of transportation, housing and planning assume the project management.
Project independency	The project belongs to the Suez canal Authority, ministries of transportation, housing and planning.
Project parameters	The project parameters are represented in three governorates namely, Port Said, Suez and Ismailia. The project parameters include the west and east ports of Port Said, Areesh Port, the technology valley east of Ismailia, the industrial zone west north of Suez Straits, Ain Asokhna Port, Al-Adibia Port
Project financing	The project entirely Egyptian financed through selling investment certificates for individuals, incorporations and legal firms

Third: cost, proposed duration to implement the new Suez Canal project: The total cost of the new Suez Canal project valued about \$ US 8.2 billion dollars equal to L.E. 60 billion pounds. The cost includes the construction of a new parallel channel to the current Suez Canal with the length of 35 kilometers (its work volume represents about 258 million meter square of dry drilling works) costing about L.E. 4 billion pounds. In addition, deepening the current canal with the length of 37 kilometers (its work volume represents about 242 million meter square of the dredging works) costing about L.E. 15 billion pounds. Furthermore, there are works of sedimentation, taxis, utilities, navigation aids and ferryboats

are valued about L.E. 10 billion pounds. In addition, the construction of armed forces affiliated utilizes valued about L.E. 2.10 billion pounds. Finally, the digging of 6-8 underground tunnels in Port Said, Ismailia to transport cars and stretch the railways to Sinai valued almost L.E. 28.9 billion pounds[14].

As to the proposed period of project implementation, it ranged from 5 years to 3 years and finally one year starts on 5/8.2014 and ends on 5/8/2015. Some believe that pressing the period into one year raises questions on the possibility of adhering to this time table. This is expected to increase the

project total final cost as compared to the initial budget estimated about \$ US 8 billion dollars (L.E. 60 pounds).

Fourth: Financing the new Suez Canal project: The mega national projects including the new Suez Canal project are characterized by its need for enormous financing. Therefore, it is difficult to finance it through the Egyptian public budget which suffers upward deficit since January 25 2011 revolution. Thus, there is a need to look for new sources of finance out of the public budget. Notably, the new Suez Canal project implementation will be conducted on different phases and thus the required funds for implementation are not necessarily paid once; but rather at different phases according to the priority and significance of the financing source. Despite of the multiple financing alternatives available before the state to finance the new Suez Canal, it issued investment certificates of the new Suez Canal to Egyptians only (individuals, corporations and legal companies) through four state-run Egyptian banks valued L.E. 60 billion pounds. The investment certificates required value was already purchased by only Egyptians within a 10-day short period. Individuals and family sector possess 82% of the investment certificates selling revenue against 18% for corporations and legal companies. This value represents almost 3% of the Egyptian banking sector total assets. Egypt owns a huge fund of deposits at the banking system besides the central bank estimated L.E. 1.4 trillion pounds and about \$ US 240 billion dollars. In addition, there are other funding sources represented in the investment funds, banknotes, Tahia Misr fund and other huge sources as well [15].

It also expected that financing sources and their priority uses will be represented in the following: the use of the special Suez canal authority accounts and funds which are able to provide a large part of financing necessary for the project; allocating part of the current Suez Canal revenues for the sake of the new project implementation; offering international bonds guaranteed by the Suez Canal returns to cover the necessary investment to implement the new project infrastructure; using the surpluses of other various economic corporations to finance the new project; Egyptian and foreign banks contribution to cover the new project financing; and reliance of some Arab aids to implement the project.

Although individuals dissolved their deposits at banks in order to purchase the investment certificates, which can affect the banking system liquidity and assets, the proposed investment certificate can be new investment opportunity for individuals looking for fixed and safe investment in terms of the funding tool, return, and guarantee because of the following reasons[16]:

- The investment certificates will be indebtedness on the Suez Canal authority guaranteed by the government whose value will be refunded at the period end or will be refinanced in other forms regardless of the new project performance. This asserts the non-existence of risk and the increased guarantee ratio for investors. The current Suez Canal revenues valued about \$ US 5 billion dollars annually. This income represents

the ability of Suez Canal authority to regularly repay the certificate profits without delay.

- The investment certificates period is five years with net return estimated 12% per Egyptian pound divided over three months. The return is higher than bank deposits interest for the same period estimated 9-10% in most banks particularly the state-run ones. This means that the government will regularly finance its financial needs by issuing bonds whose total profits estimated 14-15% for the same period (12% after taxes). Banks will purchase those bonds by using its deposits to achieve profit of about 3% (the balance between the bonds net interest and the deposits interest). However, the Suez Canal authority offered tax-free investment certificates for individuals' subscription in order to achieve mutual benefit. The Suez canal borrows with less than the bonds interest and individuals obtain a return higher than the deposits interest. This interprets the certificates high return. The investment certificate return remains equal to the bonds net return which allows banks to achieve the same profit of purchasing the investment certificates.

The offered investment certificates represent about 14% of unexploited net assets. This refers to the relatively large size of the new project and other national projects which are expected to be financed through national banks and will lead to a real liquidity crisis at the medium range for the banking sector, particularly with the banking system need to constantly finance the public budget deficit. Such projects will affect the banking sector and delimit its ability to finance the private sector under the competition of the public sector.

Finally, the restriction of purchasing the new Suez Canal investment certificate to Egyptians only and not others represents a social, political and economic message directed to those who oppose the Egyptian national decision orientation towards full independence from the hegemony and influence of some international and regional powers which seek hampering its progressive and developmental quest. Its political dichotomy includes the Egyptian decision dependency and not to subject to foreign dictations in various fields. The economic dichotomy includes that Egypt has adequate economic resources, natural wealth, strategic and unique geographic position, specialized technical and scientific expertise, abundant labours and needs not any foreign grants or aids. The social dichotomy includes a distinguished feature from other world communities which is social solidarity and cooperation of the Egyptian society in the time of need and difficulty.

Fifth: The expected economic impacts of the new Suez Canal project: Undoubtedly, the new Suez Canal project and the development of current Suez Canal were much delayed from its time as compared to what is going on in other regions of the world; which have managed to benefit from their available potentials and privileges including water passages, establishment of investment, service, business and industrial integrated zones through maximum gains from those navigation passages and channels.

Therefore, the new Suez Canal project and its surrounding area is considered as a starting point for the development vehicle on which Egypt relies to get out of its current economic crisis and transfer its economy to the great economies level. This can be done through opening for unlimited internal and foreign investments and increase the Suez Canal share in the world trade. The new project represents a new orientation in the Egyptian foreign policy that enables Egypt to possess national decision independency and not to subject to any blackmail from some international powers. In addition, the new project represents a world logistic and industrial center. It has attraction potentials to attract several fields and activities including the most growing ones in the world, namely transportation, logistics, energy, tourism, communication and information technology. That is, it represents allocation, environment, urban, trade and economic integrated district [17]. In light of the previous discussion, the expected economic impacts of the new Suez Canal project can be summarized as follows:

- Impact on the gross domestic product and national income: The Suez Canal revenues are considered as the third source of Egyptian national income after the overseas labours remittances and tourism sector. It represents almost 5% of the GNP and 10% of GDP and it is one of the most important sources of hard currency to Egypt.

According to the study conducted by the ministry of housing 2013, the project idea of developing Suez Canal dwells on the establishment of logistic, urban, location and economic integrated district between the east ports branching in the north and Al-Ain- Asokhna and Suez in the south, it represents a world logistic and industrial service center which provides services at the least cost and highest efficiency. The study expects that the new project will transfer Egypt into a transportation world center that yields 20-25 folds of the current return of canal transit; through which 10% of world goods and 20% of containers trade transit annually. Despite of the total transit trade volume of the canal valued US 1692 billion dollars annually, the Suez Canal return does not exceed about 0.3% (\$ US 5 billion dollars annually) of this trade value. Therefore, the new project is expected to increase the Egyptian national income through the increase of current Suez Canal revenues by 259% to about \$ US 13.226 billion dollars in 2023 compared to almost \$ US billion dollars as the canal current return. It is also expected that the new project and development of Suez Canal and its surrounding area will contribute by almost \$ US 100 billion dollars annually in the Egyptian national income as a result of transforming the new project and developing the canal surrounding district into a world logistic center.

- Impact on the world trade movement in terms of number of canal transit ships and the transit time: It is expected that the new project will contribute to double the canal assimilation capacity of transit ships by the increase of average daily transit ships number from 49 ships to about 97 ships daily in 2023. It will also contribute lesson the Suez Canal transit hours from 16 hours to 11 hours. It is possible as well to host ships types that could not transit the canal before.

This can be done by the transit possibility of big ships at the diving feet of 66 with in all the canal parts and the transit of new standards ships which could not previously transit the canal. The new project will solve the waiting problems of the Suez Canal transit ships estimated as 18 waiting hours; which is higher than the canal estimated transit hours of about 16 hours. This is attributed to the caravan system transit and the disallowance of double system transit. The new project will lessen the 18 waiting hours to about three hours only[18]. It is expected that the new project will possess a large number of commercial ships, containers, giant oil tanker which the current canal depth does not suit them. Thus, they use the cape of the Good Hopes route as an alternative route to the Suez Canal in order to reach the discharging areas. Those ships represent about 80% of giant oil tankers whose transit fee value in case of transiting through the Suez Canal about six folds of the current Suez Canal income[19]. In addition, the project will contribute to assimilate materials carried by pipes over the land roads which have high waste rate. The new project will contribute to increase the world ranking degree as a navigation passage due to the increase of navigation safety rates during the ships transit because of a parallel canal existence to the current one. This will help Egypt restore its international and regional position as a world trade and economic axis. It will also increase the growth rate of world trade movement during the forthcoming years because of the Suez Canal assimilation of the upward increase of the world trade size. In spite of that, some believe that it is difficult to double the transit ships number because of digging a new branching as the transit ships number is mainly related to the world trade. This matter requires further time to double the world trade size[20].

- Impact on providing job opportunities: It is expected that the new project will contribute to curb unemployment, provide further job opportunities for youth in all areas of specialization particularly the technical and craft fields by the end of the project phases. Thus, several industrial commercial, agricultural and service projects will be established such as projects of transportation, storing, heavy industries, containers trade, automobile industry, medicine industries, timber, textile, furniture, glasses industries, fish farming, activities of mineral wealth extraction, arable land reclamation through cultivating areas behind the logistic and industrial zones. In addition, the project will contribute to activate demand on engineers in all fields particularly the planning phases, construction, and implementation supervision. The project is expected to provide about one million job opportunities whose return will be for the sake of 5 million families based on the assumption that a worker supports a five member family [21].

- Impact of the direct foreign investment: The new project is expected to help benefit from available natural resources and potentials for the Egyptian economy which are characterized as being rare, efficient, and not available to other competitors within the region including the geographic position and its role in the world trade movement between the East and the west. The project will contribute to establish logistic centers alongside the water passage which provide all the Suez Canal transit ships needs such as storing, cargo,

discharge, supplies, maintenance, repair, transit trade and other logistic services. The new project will contribute to revive the technology valley dream in Ismailia, establishment of a modern technology university. This will lead to attract further foreign investments. The new project will help benefit from the time location of Egypt as the official working hours in Egypt are liaison between the unofficial working hours in Europe, America, China and east Asia. This will help connection and communication between the world financial and commercial institutions around the clock. This will also help attract further world companies and foreign investment supporting the Egyptian economy growth in the fields of transportation and logistics in order to benefit from the time difference between the East and the West[22].

- Impact on the exchange rate and currency value improvement: The Suez Canal fees collection is conducted by the currency unit of Special Drawing Rights (SDR). It is a monetary system consists of dollar, Euro, Japanese Yen, Sterling Pound. The international monetary fund and not the Suez Canal management determines the components and prices of that system. The IMF also determines how to apply the SDR system then transfers it into Euro, dollar or other. Therefore, there is no pricing competition. Hence, the new Suez Canal will be a main element to gradually improve the Egyptian pound value as a result of improving the foreign monetary reserves, particularly after its operation and implementing its surrounding projects, pumping investment in this region as the local currency will be improved according to the improved security and political situations that will lead to pumping foreign investments in various fields[23].

- Impact on the Egyptian stock exchange: Offering investment certificates to finance the new Suez Canal project has no negative impacts on the stock exchange as it is illogical to offer the Suez Canal shares for contributions as they are one of the sovereign assets of the state that should not be relinquished to institutions or individuals. The investment certificates return of the Suez Canal represents 12% but the stock exchange investor does not tend to fixed return but rather to high return and risk. Offering the Suez Canal project investment certificates has positive impact on easiness procedures compared to offering shares that need feasibility studies, transparency, and high closure degree. Therefore, offering savings bonds is the most suitable to the Suez Canal project as it has no economic or financial negative impacts.

- Impacts on the private sector: Some believe that the expansion of the economic projects number and size carried out by the Egyptian Armed Forces aims to increase employment, increase growth rates and investments after years of stagnation, uncertainty, and flow out of domestic and foreign investments. It is expected that it will have negative impacts on long term at the private sector future in Egypt. This attributed to the private sector companies inability to compete against the Armed Forces which has wide authorities, management, human and financial resources that cannot be available to a private company[24].

The researcher believes that the restricted role to the Armed Forces will be temporary linked to the current situation. Its priorities are getting out of the economic stagnation through launching an incentive package by the state, its various institutions, self-financing programmes. In addition, the Armed Forces role will not affect all the private sector activities, particularly the small and medium companies. It will have an impact on the large capitalist companies, particularly construction companies. The Egyptian Armed forces played a distinguished economic role since the beginning of economic transformation in Egypt in the 1980s along with the expansion of private sector on the one hand, emergence of large capitalist companies on the other. It effectively contributed in certain non-profitable economic fields and does not exceed till now (infrastructure sector such as roads, bridges and tunnels). These projects are considered as strategic and vital projects for the people live and safety which require intensive labors on the one hand and giving the work sub-contracts to small or medium companies on the other. This helps those companies against the hegemony and competition of large capitalist companies. Furthermore, the Armed forces has remained totally away and has not intervened in other important productive sectors such as the heavy industries like cement, steel, aluminum, or in service sectors like tourism, communications, transportation and housing.

- Impacts on the Egyptian food security: It is expected that the new Suez Canal will contribute to the food security through reclaiming and cultivating about 4 million acres. A fish farming firm will be established bad will depend on building sediment basins east of the Suez Canal (23 sediment basins) with length of 120 kilometers ranged between 3-5 meters. The basins extend from the east branching till Suez Gulf. This will lead to achieve rapid annual return that provides further job opportunities for youth [25].

- Impacts on urban development and population attraction: It is expected that the new project will contribute to change the population map of Egypt, solve the congestion population and migration from the narrow valley through new urban communities at the two bank of Canal in Ismailia, Port Said, Suez and also in Sinai. This will lessen the population intensity in the neighboring areas and others. It will help achieve the national security in Sinai that has suffered for a long time from population emptiness. So it falls with the aspirations of others[26].

- Impacts on the archeological environment: The new Suez Canal is located in an area which is considered as the eastern gate that has been protecting Egypt since three thousand years. That area includes a great number of paramount important hills like Al-Haboua hill, 1,2,3,4, Al-Hier hill, Al-Fadha Hill and Abou Youssef Hill. There are also 4 archeological castles. In addition, the distance from kilometer 61 to kilometer 64 is considered as a big archeological area. Therefore, detailed feasibility studies are necessary. It is necessary to conduct detailed feasibility studies on the drilling effect in some rocky areas to preserve the great archeological wealth[27].

Sixth: The pros and cons of the new Suez Canal project:

The new Suez Canal has been controversial internally and externally at all legal, strategic, security and political levels. There are pros and cons of the project. Some support the project based on the foresaid positive economic effects and justifications. Some internally oppose the project in terms of implementation time and necessary priorities for the Egyptian economy. The mega national projects including the new Suez Canal project have indirect cost which is the alternative opportunity cost resulted from directing the limited economic resources of the new long-term projects with high risks at the current urgent problems. They really constitute hindrance to the current economic activities. They include working to settle the current problems of investors whether they are domestic or foreign to attract new investments. They also include working to solve energy problems which negatively affect factories due to regular energy cut off and its resulted in factories productivity losses because of fuel shortage necessary to operate the electricity stations. This is also attributed to indebtedness accumulation of foreign oil companies to the public petroleum authority by about \$ US 6 billion dollars. Therefore, it is necessary to rapidly settle that indebtedness to gain these companies trust in order to go on energy exploration and production and lessen the current fuel deficit. Thus, it is necessary to adopt gradual approach to launch mega national projects in a way suitable to the Egyptian economic resources and its current priorities[28].

Some externally oppose the project in terms of competition, the expected negative effects of the project construction on similar maritime ports such as Dubai port, Jabal Ali project (a free zone) in the United Arab Emirates. This is due to the fact that their economy is based on service not production based on logistic maritime ports. In addition, the Suez Canal position is the best unique international, strategic position compared to the isolated position of Dubai city within the Arab Gulf. It is jeopardized to several risks; its most important is the close if conflict breaks out with Iran[29]. Regardless, it is logical and legal under the economic competition free trade and the relative privileges which Egypt enjoys.

Seventh: Challenges and risks facing the new Suez Canal project: The new Suez Canal project faces some most important challenges and risks. They are as follows:

- Financial and economic challenges: they are related to the expected cost and return of the new project and the project financing as well in terms of financing size, tools, phases and the financing instruments whether domestic, Arab or international and the financing ratio, while taking into considerations the danger of getting the help of foreign financing institutions. They might work under the umbrella of foreign states that want to impede the new project. Therefore, the new project financing is counted as one of the most important challenges facing this project. The project success or failure criterion is based on the Egyptian government ability to choose the most suitable means of financing. Thus, the Egyptian government insisted on rejecting foreign borrowing to finance the project and be restricted only to

Egyptian-based financing (individuals, corporations and companies). This insistence supports the economic and political decision independency in order not to repeat the past errors when Egypt borrowed from the west during the drilling Suez Canal in the 18th century and was trapped in the foreign debts whose effects are lasting nowadays[30].

- Challenges related to the previous national projects experiences: they include Toshka project, East of Ouinat, land reclamation and so on. The failure of such previous projects might be discouraging to start new similar projects.

- Strategic, political and military challenges: the new Suez Canal project is counted as a strong competitor to some similar maritime ports including Dubai port, Jabal Ali project (a free zone) in the United Arab Emirates. There are also attempts on the part of some western states and Israel to plan the construction of new international and regional projects to compete the new Suez Canal in order to affect the canal navigation movement. There are indications on the stalking and provocation against the new Suez Canal project similar to the collusion of some international powers in the past during the construction of the High Dam. The current period might be more dangerous than the past[31]. One of the most important competitive projects to the new Suez Canal is the Israeli railways project (the Israeli railways-land project) which parallels the Suez Canal to link the Elaat port on the Red Sea to Ashdoof port on the Mediterranean Sea. It aims to transport the Asian goods from the Red Sea to the Mediterranean and then to Europe. In addition, the Elaat port development project to make Elaat as the tourism capital in the region. The new Elaat port project also aims to link a pipeline between the Mediterranean Sea and the Red Sea to transport and export gas, oil from the Arab Gulf and Russia to the Israeli ports on the Mediterranean Sea and then to Europe, India and perhaps China. In addition, Israel thinks of digging a deep shipping channel between Elaat and Ashdoof ports. Furthermore, the Israeli project to link between the two seas Red and dead by digging a 180 kilometer-long channel to transport 200 million meter cubic of water. Its half is mouthed into the Dead Sea and the other half is mouthed into a large basin to distil the sea waters under the supervision of Israel, Jordan and the Palestinian authority[32].

There is also the Russian water passage in the North Pole and Cyprian railways. The Russian transportation ministry estimated the distance voyage from Rotterdam to Yokohama in Japan through the passage will be shorter than the voyage through the Suez Canal by about 4450 miles. In addition, there are some other competitive projects including the lane of Shanghai-Europe passing by Turkey; the Fao lane in Iraq-Turkey-Europe with an Italian participation; the Panama Channel expansion and deepening project to transit giant ships which were not transited except through the Suez Canal [33].

In light of the foregoing, the expedition to implement the new Suez Canal during a short period will lead to maximizing the Suez Canal competitiveness in facing the similar channels or

alternative competitive projects in the region and thus obstruct the aspirations and plans of those states, particularly Israel and its competitive projects to the current and new Suez Canal which represent a strategic defense line to Egypt. This makes it difficult for the benefit of establishing and implementing those projects.

- Technical and engineering challenges: they are embodied in the new project need to conduct detailed feasibility studies from the engineering aspects, technical, geographical, ecological, hydrological designs of the sea water and their effects on the new project.

- Environmental challenges: they are embodied in the new project need to conduct detailed feasibility studies on the drilling effects in some rocky and sandy areas on the ground water and the possibility of earthquakes eruption. In addition, the expected effects on the natural environment and its content[34].

Eight: Recommendations and findings: In light of the foregoing, the following most important findings can be summarized below:

- The new Suez Canal project and its surrounding area represents a main milestone for economic development in President Sisi' programme and the new government. It is based on the abandonment of the old significance concept of Suez Canal as only a mere source of the canal transit fees without focusing on the benefit from its strategic and geographical position in several service, urban, tourism, industrial, trade, economic and logistic fields alongside the canal.

- The new Sues Canal and its surrounding area represents an effective logistic and strategic base for the interest network and international relations through taking Egypt into international considerations.

- The New Sues Canal represents a an strategic water hindrance that reinforce the defense of the Egyptian national security against any foreign power particularly Israel in light of projects which attempt to carry out in order to influence Egypt's strategic position.

- The new Suez Canal is not a repeated model or alternative to the current Sues Canal, but rather an interval and integrated part to service international maritime and trade navigation.

- The new Sues Canal and its surrounding area will largely contribute to achieve military, political, financial, trade and economic benefits for Egypt.

In light of the previous findings, the study introduces the following recommendations:

- It is necessary to conduct a deepened and detailed feasibility study of the project at the military, strategic, environmental, engineering, financial, and economic aspects in order to avoid repeating the past experiences errors in the similar national projects like Toshka project and others.

- Benefit from the High Dam experience and the projects of Toshka, and the peace canal particularly in the varied expertise of specialists in the drilling works, land and soil geology using limited foreign experiences in certain fields.

- The necessity to provide the strong political will for the new Suez Canal project and its surrounding area as being a strategic inevitable project to face the Israeli competitive projects and the Western states attempts to impede the new project.

- Creating Suez Canal ministry whose work is not restricted to management, signing documents and treaties but participation, and direct supervision on the construction and implementation process and concluding contracts agreements with other branch institutions and companies. It is necessary to be located in one of the Canal cities (Ismailia, Suez, and Port Said) and not in Cairo.

- It is necessary to establish an independent university or specialized faculties at the Egyptian universities in the international maritime sciences to service the new project objectives at the long term.

- Benefit from the experiences of foreign and regional states through Egyptian experts; that have fulfilled similar projects to the new Suez Canal project according to the world standards.

- The necessity to coordinate between the ministries of higher education, industry, foreign trade, and communications in order to devise immediate plan to establish developed training programmes and centers for the requirements of the new project such as systems leadership, heavy equipments and their maintenance.

- The necessity to prepare life insurance policies for all workers in the new project suitable to the project size and work nature.

- The necessity to prepare training programmes and develop curriculum programmes for the graduates of faculties of Commerce, Information Technology Systems and different languages departments and logistic departments to manage sub-projects that might be required for the new project

through linking the studying and training programmes to the work market needs in light of the project requirements of technical areas of specialization at the different phases of the new project.

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