

Headlines:

- **Egypt's Authoritarian President is Celebrating the Completion of an \$8 billion Suez Canal Expansion that Nobody Asked For**
- **Saudi Arabia May go Broke Before the US Oil Industry Buckles**
- **Military Courts Get Supreme Court Nod**

Details

Egypt's Authoritarian President is Celebrating the Completion of an \$8 billion Suez Canal Expansion that Nobody Asked For

Exactly one year after construction began on an expansion of the Suez Canal, authoritarian-minded Egyptian President Abdel-Fattah Al-Sisi is about to throw a party celebrating its completion, Bloomberg reports. Despite the festivities, and the speed at which the project was completed, many experts are questioning whether the \$8 billion undertaking will really bring any of its promised economic benefits. Amr Adly, a scholar with the Carnegie Middle East Center in Beirut, told Bloomberg that the expansion of the canal is being used as a tool to prop Sisi's regime. "Al-Sisi is trying to gain legitimacy through his government's achievements," Adly told Bloomberg. "[The new canal] shows the government can deliver, it can commit to something and get it done." The Egyptian Army supervised construction of the expansion. For one year, 400 private companies and 25,000 workers were mobilized. They extracted over 260 million tons of sand, built a new 35-kilometer channel, and widened and deepened 37 kilometers of the original canal. The upgrades will allow two-way traffic and reduce transit time from 18 hours to 11, Bloomberg reports.

But it's still unclear whether the opening of the canal expansion will produce any actually economic benefits. The government certainly seems to think it will, since it expects canal revenues to more than double from the current annual \$5.5 billion to \$13 billion by 2023. But there's reason to doubt this projection. The expansion won't actually allow larger vessels to use the route. And if anything, gridlock along the canal has actually lessened in recent years: The number of ships using the Suez is 20% lower than before 2008. There would have to be a 9% increase in traffic for the canal to deliver on its economic benefits, but according to a report by Capital Economics, it's "unlikely" the canal will be able to deliver. There could always be a huge bump in global shipping that could radically increase canal traffic. According to the Suez Canal Authority, around 8% of the world's cargo currently passes through the canal. But such an increase doesn't appear to be imminent. And even then, greater infrastructure would need to be built around the canal to absorb additional shipping traffic. "Build it and they will come' is not enough," Simon Kitchen, a strategist with Cairo-Based investment bank EFG-Hermes told Bloomberg. One expert told Bloomberg that there was little apparent economic necessity for this huge of an undertaking. "From a shipping industry point of view, this initiative to expand the Suez Canal was a bit of a surprise," Ralph Leszczynski, the Singapore-based head of research at Genoese shipbroker Banchero Costa & Co, told Bloomberg. "There was no pressing need or requests for this as far as I'm aware."

[Source: *Business Insider*]

Sisi is just another dictator smitten by grandiose ambition to leave behind a legacy where people will fondly remember him. What a foolish thought. Sisi should look at his predecessor Mubarak and other rulers in the Arab world like Gaddafi and Saddam to see how people remembered them.

Saudi Arabia May go Broke Before the US Oil Industry Buckles

If the oil futures market is correct, Saudi Arabia will start running into trouble within two years. It will be in existential crisis by the end of the decade. The contract price of US crude oil for delivery in December 2020 is currently \$US 62.05, implying a drastic change in the economic landscape for the Middle East and the petro-rentier states. The Saudis took a huge gamble last November when they stopped supporting prices and opted instead to flood the market and drive out rivals, boosting their own output to 10.6 million barrels a day (b/d) into the teeth of the downturn. Bank of America says OPEC is now "effectively dissolved". The cartel might as well shut down its offices in Vienna to save money. If the aim was to choke the US shale industry, the Saudis have misjudged badly, just as they misjudged the growing shale threat at every stage for eight years. "It is becoming apparent that non-OPEC producers are not as responsive to low oil prices as had been thought, at least in the short-run," said the Saudi Central Bank in its latest stability report. "The main impact has been to cut back on developmental drilling of new oil wells, rather than slowing the flow of oil from existing wells. This requires more patience," it said. One Saudi expert was blunter. "The policy hasn't worked and it will never work," he said. By causing the oil price to crash, the Saudis and their Gulf allies have certainly killed off prospects for a raft of high-cost ventures in the Russian Arctic, the Gulf of Mexico, the deep waters of the mid-Atlantic, and the Canadian tar sands. Consultants Wood Mackenzie say the major oil and gas companies have shelved 46 large projects, deferring \$US200 billion (\$272 billion) of investments. The problem for the Saudis is that US shale frackers are not high-cost. They are mostly mid-cost, and as I reported from the CERAWEEK energy forum in Houston, experts at IHS think shale companies may be able to shave those costs by 45 per cent this year - and not only by switching tactically to high-yielding wells. Far from retrenching, King Salman is spraying money around, giving away \$US32 billion in a coronation bonus for all workers and pensioners. He has launched a costly war against the Houthis in Yemen and is engaged in a massive military build-up - entirely reliant on imported weapons - that will propel Saudi Arabia to fifth place in the world defence ranking. The Saudi royal family is leading the Sunni cause against a resurgent Iran, battling for dominance in a bitter struggle between Sunni and Shia across the Middle East. "Right now, the Saudis have only one thing on their mind and that is the Iranians. They have a very serious problem. Iranian proxies are running Yemen, Syria, Iraq, and Lebanon," said Jim Woolsey, the former head of the US Central Intelligence Agency. Money began to leak out of Saudi Arabia after the Arab Spring, with net capital outflows reaching 8 per cent of GDP annually even before the oil price crash. The country has since been burning through its foreign reserves at a vertiginous pace. The reserves peaked at \$US737 billion in August of 2014. They dropped to \$US672 billion in May. At current prices they are falling by at least \$US12 billion a month. Standard & Poor's lowered its outlook to "negative" in February. "We view Saudi Arabia's economy as undiversified and vulnerable to a steep and sustained decline in oil prices," it said. Mr Alswilem wrote in a Harvard report that Saudi Arabia would have an extra trillion of assets by now if it had adopted the Norwegian model of a sovereign wealth fund to recycle the money instead of treating it as a piggy bank for the finance ministry. The report has caused storm in Riyadh.

"We were lucky before because the oil price recovered in time. But we can't count on that again," he said. Yet on the current course their reserves may be down to \$US200 billion by the end of 2018. The markets will react long before this, seeing the writing on the wall. Capital flight will accelerate. [Source: *Sydney Morning Herald*]

Once again, the inept rulers of Saudi Arabia are squandering the wealth of the Ummah. Rather than slashing the price of oil, the Saudi's could have used oil as a weapon by linking the oil price to the Chinese or Russian currencies thereby collapsing the dollar and causing an international crises for America.

Military Courts Get Supreme Court Nod

The Supreme Court (SC) on Wednesday in a majority ruling upheld the establishment of military courts in Pakistan. Petitions challenging the 21st amendment were dismissed in a majority 11-6 vote of the 17-member SC bench. Chief Justice Nasirul Mulk and Justice Dost Muhammad announced the verdict. In a 14-3 majority vote, petitions challenging the 18th amendment were also dismissed by the bench. Judges provided seven opinions and two additional notes on the ruling. The judgement was to be announced by the full court bench headed by Chief Justice Nasirul Mulk in Courtroom No 1 of the SC building. The SC office had issued a supplementary cause list heralding the announcement of the judgement. Former Supreme Court Bar Association President Kamran Murtaza said "It's a very disappointing verdict by the apex court. The court just upheld the doctrine of necessity. We are going to file a review petition against this judgement." Kamran Murtaza and Asma Jehangir had earlier this year petitioned against the establishment of military courts on behalf of the SCBA. The Parliament passed the 21st Amendment and the Pakistan Army Act, 1952, to establish the special courts after the massacre in the Army Public School, Peshawar, last year. The judgement on the 21st Amendment as well as the 18th Amendment will be the last major verdict by Chief Justice Nasirul Mulk as he will attain superannuation on Aug 16. Over a five-month long hearing on the challenges to the 18th and 21st amendments was wrapped up by the Supreme Court on June 26.

The Pakistani army runs the country. The political and judicial systems are effectively tools in the hands of the military top brass to instigate repressive policies against the Pakistani people like keeping a lid on all the missing people in Pakistan. The recent number of amendments to the constitution is ample evidence, that the parliament and the judiciary are subservient to the stipulations of the military leadership.