

Spectacle of shipping disruptions overshadows manageable impact to cargo



The collision of a container ship into Baltimore's Francis Scott Key Bridge is the latest major disruption to test, but not overwhelm, the shipping industry. Photo Credit: Tasos Katopodis / Getty Images

Mark Szakonyi, Executive Editor | Apr 10, 2024, 1:44 PM EDT

The disruptions to containerized supply chains over the last three years that have grabbed international attention are significant in their physical scale or threat of violence, thus visually arresting to both the public and those in the industry. Yet the actual impact on commercial operations, while notable, has been ultimately manageable, a reality often lost amid general news reporting and those looking to capitalize on the sensation rather than the facts on the ground.

The industry delivers time and time again despite disruptions. Whether a gigantic vessel blocking the Suez Canal for nearly a week, or most recently the closure of the Port of Baltimore after the collapse of the Key Bridge, the system adapts, and cargo, albeit delayed, finds a way to reach its destination.

That's not to say there aren't additional costs – to transport operations, to shippers and to Baltimore drayage drivers waiting for limited cargo operations to restart in several weeks. Of course, the six construction workers killed in the bridge collapse paid the heaviest price.

But there was no shipping meltdown, just as there wasn't when the ultra-large container ship *Ever Given* blocked the Suez Canal for six days in March 2021, seizing popular attention through memes and jokes on late-night talk shows. About a week after the ship was freed, the canal had worked through the backlog of vessels while others were already diverting around Africa.

Three years later and roughly 1,200 nautical miles to the south, Houthi rebels operating in Yemen chased most of the container traffic away from the Suez to divert around southern Africa. Container spot rates for the Asia to Europe trade began spiking in late December, peaked by mid-January, and have been steadily falling since.

The delayed ships on longer transits cost some European importers, but not enough to significantly impact economic growth, according to a recent S&P Global analysis. Nor did port congestion materialize due to marine terminals and carriers coordinating to prevent bunching in European harbors. As US and UK forces launch almost daily attacks on Houthi positions, container trade between Europe and Asia continues even if the routing is longer.

Meanwhile, US merchant sailors continue to brave dangerous waters; the US military on April 9 shot down a Houthi missile that was believed to be targeting the US-flagged *Maersk Yorktown* that shuttles between Salalah and Djibouti.

A time of intangible obstacles

For Baltimore, the closure of most of the port's marine terminals hit the automotive sector the hardest, as the port is the largest US gateway for roll-on/roll-off cargo, as measured by tonnage. Containerized cargo normally flowing through Baltimore was diverted, mainly to the ports of New York and New Jersey and Virginia, and the eastern railroads have implemented workarounds. The two port alternatives, primed with sufficient capacity and experience handling unexpected surges, have handled the first wave of diverted ships. In a reflection of the limited impact on the larger market, the disruption wasn't enough to reverse falling Asia-US East Coast container spot rates.

The shipping industry's ability to overcome physical disruptions shouldn't lull it into complacency. Politically driven disruptions could add another dimension, forcing hard

decisions for ocean carriers on where to call without risking being shut out of the markets of the countries involved.

Global risk is “at a level we haven’t seen since the end of World War 2,” Robert Gates, the former head of US Central Intelligence Agency, said during a keynote address at the Journal of Commerce’s TPM24 conference in Long Beach last month. Gates warned of the enhanced danger from cyber-risk, whether from state or non-state actors looking to ramp-up tensions.

Pointing to a naval exercise China has staged in the Taiwan straits to assert its control of the island, Gates noted how there are ways to disrupt trade beyond a so-called shooting war in the Pacific. That’s something to think about as territorial tensions in the South China Sea flare-up again this month as China bristles at the US pushing closer military alignment with Western and regional allies.

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