

Economic impact of Suez Canal blockage

- Shivam Maheshwari*

Suez Canal is a man-made iconic passage connecting the Mediterranean Sea and the Red sea and opening a way for Asia and Europe to join hands. It happens to be one of the busiest maritime pathways that serve a significant role in backing the rapid globalization of the 21st century (a gateway to more than 50 cargo ships daily carrying an economic output worth \$9.6 billion approximately). In the late 19th century, this masterpiece witnessed its inaugural ceremony towards serving the world. With millions of workers and modern technocrats (of the time), it took almost ten years to complete this 193 km massive project. When it came to its authority, we saw what today is known as 'The Suez Crisis,' wherein Britain and Israel revolted against this move of Egypt and gave rise to one of the deadliest massacres. Finally, Egypt was the winner of the deal, thereby nationalizing it in the mid-1900s. Today the country earns billions of dollars (\$5.6 billion in 2020) in terms of ship toll from its second-highest income source.

Having given you a glimpse of its past, let's move forward to 23rd March 2021, which marks an unprecedented blockage in its path. A 200,000-ton massive cargo ship with a length of 1300 ft. and loaded with 18000+ crates of transport materials got stuck on the east coast of the Suez Canal. Reasons being poor visibility, high winds, and sand storms, but some say that these may be subject to conspiracy. Led by 25 Indian crew members, the vessel 'Ever Given' is owned by Japanese company named Evergreen and was sailing from Malaysia to the Netherlands. Now when I say (but I hate to say so) 'conspiracy' and 'Indians' in the same context, ironically, it creates a subsequent perception in the minds of various think tanks and investigators across the globe. However, we are off the hook because

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such large containers are generally guided through the canal by the Egyptian marine pilots. I guess the image below more or less sums up the situation, and given the facts above, I want you to feel the intensity of its impact.

Speaking of impact, I want you to imagine a situation wherein you expect the delivery of a product which was coming from a foreign nation in a few days. Suddenly, you receive a notification that your delivery got delayed by 2-3 weeks—shocked, right? This explains the direct impact that blockage in such a canal had on the global supply chain. Given the alarming condition of COVID-19 across the globe backed by an extraordinary demand from consumers, supply was already enjoying a blessing in disguise (sarcastically speaking). Let's do a little bit of math here and estimate the ripple effect of this ship blockage. With the number of candidates queuing up to cross the channel, crates got stuck in one place, thereby bringing the global trade to a standstill. The rise in freight due to equipment shortage became a concern for companies all across. Respective shipping companies were already embarking on the unsavoury decision of rerouting through Africa's Cape of Good Hope to reach Europe, but things weren't that easy. This option would have added two weeks to the trip, requiring more fuel with an additional danger of the Somali pirates on the way. Oil prices and its stocks and futures had already surged even before undertaking any such stern action. Ever given carried 18000-20000 crates filled with products ranging from rare earth elements, oil, and natural gas products to consumer durables and semiconductors. Delayed supply, increased demand, and subsequent increase in ocean freight rates call for disequilibrium and an inflationary situation in the concerned economies.

To state some solutions, experts suggested that along with dredging into the seabed and excavating mud from the corner of the ship, unloading the cargo would have helped accelerate our effort towards our notion. Nonetheless, marine engineers repelled from unloading because with both its end stuck in the land, lightening its weight would have caused a catastrophic breakdown of the vessel. After 6-7 days of ongoing excavation and dredging underneath the water,

'Ever Given' finally restored "on its destined path."

To prevent such mishaps in the future, busy waterways must have a multi-lane facility in the first place. Critics also say that the ship was sailing at a speed of 13 knots, whereas 7 knots would be more than enough to satisfy trading activities, and hence such measures should be implemented with strict invigilation. If you see the graph below (showing the demand for shipping crates), you will observe that demand for such boxes has been persistently rising over the past ten years. As a result, I think investing in the effective production of these containers would be a prospective investment. No doubt the freight charge is on a per crate basis, and it is constantly rising, but we can combat that by influential and innovative road, rail, and air transport backed by enough prominent shipping containers.

As you can see in the picture above, after days of hard work and cooperation, the ship was finally getting along pretty well, saving us from all the additional trouble that was about to follow, be it rerouting of other candidates or inclusion of cranes and helicopters in unloading this giant beauty. They say 'anyone can hold the helm when the sea is calm, but when the sea casts its spell, holds one in its net of wonder forever.' Still wondering what would have happened if the process lasted for a few more days!

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Life loses half its interest if there is no struggle,
if there are no risks to be taken.

- Netaji Subhash Chandra Bose

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