

"Latin America will soon be affected by the Red Sea crisis".



Language
English

The Red Sea crisis, a vital route for global trade, has emerged as an unprecedented challenge for the maritime industry. According to Lars Jensen, CEO and partner of Vespucci Maritime and an expert with more than two decades in the sector, this situation has forced a strategic re-evaluation of trade routes and has exposed the interconnectedness and vulnerability of global shipping. The specialist made this assessment in the latest edition of the Carta Náutica seminar, "Red sea crisis: How geopolitics affect shipping", organized by the Department of Commercial

Law of the Externado University of Colombia.

Impact of geopolitics on maritime transport

The key actor, according to Jensen, are the Houthi rebels, operating in Yemen, at the southern tip of the Arabian Peninsula, who, after the start of Israel's military actions in Gaza, began to press for a ceasefire. "It's political blackmail, they basically pressure Israel to stop, otherwise they attack the ships," he explains.

According to the specialist, although the Houthi attacks began in November, this only gained momentum in mid-December. Since then, shipping companies have chosen to divert their routes around Africa, a measure that, although it increases costs and transit times, ensures the continuity of maritime trade.

Faced with this situation, he explains: "the decision was made, especially by the US and then the UK, and gradually more and more countries, to send naval vessels to the southern Red Sea to protect the ships. "That initially led both MSC and CMA and CGM to decide to sail through the Suez Canal again because they would be protected by the navy." However, the attacks continued, leading the ships to resume the route through Africa.

Comparison with the pandemic

The current crisis is a reflection of deep geopolitical tensions and an asymmetric war at sea. Jensen compares this situation to the pandemic, highlighting that, although the challenges are different, both events have required significant adaptations in the industry. While the pandemic affected the capacity and efficiency of global trade, the Red Sea crisis directly challenges the security and logistics of maritime transport.

"It takes longer. Asia to Europe takes an additional 7 to 14 days and Asia to the US East Coast up to five more days. More ships are needed, it costs more money, but the bottom line is that we have enough ships. Can be done. It's expensive, it takes time, but it's perfectly possible. It couldn't be done in 2021 because at that time, we didn't have enough," Jensen compares.

Effect in Latin America

According to Jensen, Latin America will soon be affected by the Red Sea crisis because the world fleet barely has enough ships to cover the route around Africa: "If you have maritime routes where freight rates are low, shipping companies will take out ships of them and will move them to routes around Africa, which are much more profitable. This is what I would call 'rate contagion,'" he explains.

The specialist points out that it is not possible, over time, to maintain this situation where one commercial route is extremely profitable and another is not, and for this reason shipping companies will change routes. "On any maritime route around the world, including all Latin American ones, they need to take this into account. If you are still enjoying nice low freight rates that you saw before the crisis, enjoy it because it is not going to last, not if the crisis continues", he sentences.

Latin America and the Panama Canal

Due to the drought and the resulting water shortage in the Panama Canal, the number of ships that could transit the canal per day was already being restricted. In November last year, before the Red Sea crisis, several major shipping lines took some of the services that used to run from Asia to the US east coast and rerouted them towards the Suez Canal.

As a result of the subsequent Red Sea crisis, these ships now also have to go around Africa. Because Panama is limiting the number of transits, the only alternative will be to stop some services.

A practical example:

"Let's say I need to ship products from Brazil to California. If I do that, it should go through the Panama Canal, but now I'm competing with that space for someone shipping from China to the US East Coast and overall, who wins that battle? "Importers who are willing to pay the most and fast-moving consumer goods from Asia to the US tend to be the ones willing to pay the most."

The result will be that Latin American related capacity that has to cross the Channel will be limited, thus increasing freight rates for the region.

Long-term planning and preparation

Jensen finally emphasizes the importance of long-term planning and preparation for future uncertainties, suggesting that the industry can learn as much from this crisis as from the pandemic to strengthen supply chains and improve risk management.

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