



YOUR BROWN CARDBOARD ENVELOPE, SUEZ AND THE MIGHTY MACHINE OF GLOBAL TRADE



It would be nearly 11,900 nautical miles sailing distance from Shanghai, the Ever Given's starting port, to the spiritual home of modern nautical navigation, Greenwich, via the Suez Canal. The seething mass of hundreds of cranes and millions of shipping containers on the east coast of China is a bit different from the airy public parks and Restoration-era Royal Observatory. So, a world apart, almost literally.

And yet there is a chance that if you tapped 'buy now' on your phone or clicked 'take me to check out', the thing you bought would have been on the Ever Given or one of the other nearly 400 ships caught up in the congestion caused by the blockage of the Suez Canal. Behind each screen tap, mouse click and item on a shop shelf sits a huge and often global machine of ships, ports, warehouses, and hardworking people that connects each of us with the farms, factories and studios where so many of the goods we rely on each day are produced.

However, the Ever Given has been seen by some as an example of the vulnerabilities of globalisation and a justification of the increasing protectionism and calls for local production seen around the world. At the beginning of the Covid-19 pandemic for example, the need for testing kits and PPE in a more confrontational and protectionist world seemingly exposed the limitations of supply chain efficiency.

As an island nation, the UK is dependent of ships and ports for the movement of 95% of the goods arriving in or leaving the UK. The device you're reading this on almost certainly arrived via a shipping container, probably from Asia and probably via the Suez Canal. But it also includes the fundamentals of life such as the import of half of the UK's food and feed needs. Which leads us to the question, how does situation we saw in Egypt effect the UK? The Ever Given is now afloat and on the move, but what of the sizeable traffic jam that has generated behind it?



Well, in the immediate term, as a result of the Ever Given's unfortunate maneuver, we expect to see a period of some 'pent up' demand, unpredictability and potential disruption to supply chains with the bunched arrivals of delayed and disrupted vessels. The ripple effects will play out over several months, with the impact of Suez effectively 'taking out' two weeks of EU-Asia shipping capacity from what has continued to be a market showing strong demand. The disruption is not just in the movement of goods themselves, but also the seemingly prosaic but crucial repositioning of empty containers.

What of the strategic lessons? In some ways the Ever Given has 'just' been a very particular and photogenic example of the key learning for supply chains from Brexit and COVID – the need for resilience. But that doesn't mean the end for global supply chains.

The choice and cost advantages provide benefit to all of us and there's strong evidence that global trade makes everyone better off, including those in the poorest parts of the world. Global interdependence is also a cornerstone of modern living, with the most recent example being the international production chains necessary to supply upwards of 10bn Covid-19 vaccines this year. The financial benefits are less visible and immediate, but no less important. As the Economist recently noted, firms have an estimated \$36 trillion invested abroad, and any reduction in that rate due to protectionist policies would be compounded by increased production costs and tariffs being passed onto consumers. So, whilst businesses might look at different supply chain choices, the drivers are probably more driven by diversification and optionality, rather than wholesale reshoring. And, ultimately, the UK remains an island nation, dependent on maritime trade.

So, how do we create robust supply chains and protect them from another pandemic, or another Ever Given? The answer lies in building a resilient infrastructure capable of adaptation. By providing increased choice for customers, and diversifying sources of supply for businesses and investors, global trade can adjust to shifts in geo-political and unforeseen events. Ports themselves have a crucial role to play in enabling these reconfigured and repowered supply chains – expanding their data offering, continuing to develop the flexible servicing models that have rapidly evolved during the pandemic and utilising port estates to provide supply chain storage and resilience solutions. Although the nodal role of ports will evolve, it remains absolutely vital.

The UK and Shanghai are worlds apart maybe. But they are interconnected by the Ever Given and its peers. Worth thinking about the next time your finger hovers over the buy button – it is certainly something that ports and supply chain professionals are thinking hard about, every day.

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