



Movement Through the Suez Canal Resumes but with Significant Time Expected to Clear the Trade Market Disruptions Caused by the Incident

Movement through the Suez Canal resumed after the refloating of the wedged 'Ever Given' ship but with significant time expected to clear the backlog and trade market disruptions caused by the incident. After a week of stalemate, the ship blocking the canal was freed, and one of the world's busiest maritime routes is open once more. However, the economic complications from the 'Ever Given' becoming lodged in the canal are likely to be felt in the coming weeks and months. Estimates cite that 12% of the world's trade passes through the Suez Canal each day, in addition to a million barrels of oil and natural gas. As a result of the 'Ever Given' being stuck for nearly a week, oil and gas shortages are expected, as well as delays of consumer products. The crisis is of particular concern to Egypt, which takes in roughly \$14 million in revenue from the canal on a daily basis. Trade passing through the Suez Canal encompasses roughly 2% of Egypt's total annual GDP, and reports have surfaced that indicate the country is considering seeking compensation for the blockage caused by the 'Ever Given.'

The 'Ever Given' is a 220,000-ton mega ship that is nearly a quarter of a mile long. It became stuck in the Suez Canal after strong winds from a sandstorm pushed it sideways and lodged it between both banks of the waterway. A small army of boats worked around the clock to free the container ship, in what was one of the largest salvage operations in history. The rescue effort was complicated by the need to time the work with the tides to give the mission the greatest chance of success. After the ship was eventually freed, it was towed to the widest part of the canal to inspect the vessel for damages. In the meantime, ships that had been waiting were able to pass through the canal to resume their journeys.

For each day that passed with the 'Ever Given' stuck in the canal, roughly \$9.6 billion of global trade was held up. Estimates indicate that the blockage could cost between \$6-10 billion per week as a result of the delays. For ships seeking an alternative route, the best option was to traverse down the coast of Africa and around the Cape of Good Hope before heading north again. However, this would add roughly nine days of travel time and about 6,500 kilometers to ships travelling through the Suez Canal with the goal of reaching Europe. It would also cost an additional \$26,000 in fuel costs per day. While the Suez Canal remained blocked, Russia tried to use the situation to tout the use of another alternative shipping method – the Northern Sea Route. Officials in the country have long promoted it as a desired competitor to the Suez Canal, and the Kremlin is attempting to seize the recent crisis as an opportunity to play up its benefit again.

Ultimately, experts have warned that the ramifications from the Suez Canal blockage will be felt for months to come. The delays caused by the incident have compounded already existing coronavirus pandemic-driven problems for international supply chains and the trade market. The continent of Europe is especially reliant upon the Suez Canal for its supply of energy, commodities, and consumer goods from Asia and the Middle East. Although it was only temporary, the blockage of the waterway underscores how it is constantly vulnerable to potential disruptions, particularly when it comes to the passage of larger ships which are becoming more widely-used to help facilitate the mass and expedient transfer of goods.