



SEMAPHORE

Newsletter of the Maritime Law

Association of Australia and New Zealand



Uncertainty for Carriers/Shippers/Globalisation

Exporters, importers and the shipping lines providing their key connections throughout the world are sharing in the pandemic pains of supply chain uncertainty, while speculation is rising that COVID-19 will bring an end to globalisation as it has previously been known.

Shippers

Early lockdown concerns for New Zealand shippers – although not shared across the Tasman given the two countries' initially-different policies on non-essential cargo – were the availability of both containers and storage space to facilitate their shipments.

With non-essential cargo backlogs also causing congestion issues at ports around the country, the New Zealand Government revised its policy and related issues have largely alleviated as the country also moved down to Alert Level 3.

However, New Zealand Council of Cargo Owners chairperson Simon Beale says his members are keeping a keen eye on container supply as well as maintaining close contact with the International Container Lines' Committee (ICLC) to plan around blanked sailings.

The recent commencement of the local produce season and some overseas markets reopening to receive products from Australasia have also contributed to tightened capacity.

"Individual members are experiencing a range of specific issues depending on which markets they are operating in -- for example, we're aware of border issues in certain markets," he says.

Looking ahead, Mr Beale says his members are fully aware that, just as China seems to be emerging from COVID-19, Europe and the United States are "entering times of unprecedented uncertainty".

"This is an area we're watching very carefully."

Carriers

From the local carriers' perspective, ICLC chairperson Mark Scott believes disrupted and unusual global equipment flows and the negative impact on overall cargo volume will be felt for "some time".

He says inbound volumes have initially remained strong, given cargo ordered following the resumption of operations in China had begun to arrive, but the shutdown of many other cargo origins was expected to bite.

Export volumes dropped off when New Zealand went into full lockdown mode, but Mr Scott expects throughput to progressively return now the country has reduced its Alert Level.

Mr Scott says significant challenges have been faced with regard to managing crew changeovers, with some crews potentially having to remain on their current vessels for a "lot longer than planned".

"Border restrictions and lack of airplane capacity are contributing to this," he says.

"Certainly, border restrictions have reduced crew changes in New Zealand and no doubt will lead to some crew spending longer on vessels in the coming months."

In regard to containment measures within the sector, Mr Scott says all New Zealand port companies and agents were following guidelines dictated by the Ministry of Health, while contactless interface with crew had also been in force for some time.

“The crew on international vessels are very aware of the situation, are limiting any contact with New Zealand stevedores/port staff. All vessels are also now monitoring their crews daily with temperature/health checks.”

Impact on Globalisation

Meanwhile, with COVID-19 exposing the fragility of global supply chains, experts are speculating what long-lasting impact the pandemic is likely to have on globalisation overall.

According to *Channel News Asia (CNA)*, Taiwan’s Central Bank expects to see a substantial change in global supply chains and globalisation – an issue that was initially raised because of United States-China trade disputes.

In a report to its Legislature, the bank reportedly said that COVID-19 revealed the vulnerability of global supply chains and that it expects every country to expand industries involving critical resources at home to mitigate the risk of supply chain disruption in the future.

CNA also reports that Chun Lee, deputy director of the Taiwan World Trade Organization and Regional Trade Agreements Center of the Chung Hua Institution for Economic Research, sees the potential disappearance of any world-leading nation or nations status.

Mr Lee sees this potential due to the United States becoming increasingly inward looking, China being unable to convince other nations of the merits of its leadership role – particularly given suspicions over its lack of recent transparency – and the European Union having its own internal problems.

“Instead of relying on world powers, [Mr] Lee said regional integration, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which involves 11 countries in the Pacific Rim, is likely to become more popular,” reports the media organisation.

In similar vein, *Transport Intelligence* reports that United States Secretary of State Mike Pompeo has spoken out about the creation of an “Economic Prosperity Network” composed of countries such as “Australia, India, Japan, New Zealand, South Korea and Vietnam”.

The media organisation relays that his Government is also reportedly considering tax incentives and other such measures to encourage United States companies to reduce sourcing from, manufacturing in and overall supply chain reliance upon China.

“On the Chinese side, there are suggestions from within the Chinese Communist Party bureaucracy that Beijing should ‘unite friendly countries’ against the United States whilst ‘welcoming’ the departure of foreign companies,” adds the media organisation.

Professor Richard Portes, professor of economics at London Business School, says it is “obvious” supply chains will have to change now that firms and people have realised what risks they had been taking, reports *BBC News*.

“Look at trade – once supply chains were disrupted [by COVID-19], people started looking for alternative suppliers at home, even if they were more expensive,” he reportedly said.

“If people find domestic suppliers, they will stick with them ... because of those perceived risks.”

In a slightly contrasting view, DHL chief executive Frank Appel reportedly told the *Wall Street Journal* that he did not expect a specific end to globalisation and therefore complete return to domestic production reliance.

He did not expect businesses to adopt “all near-shore” production “because that’s not affordable”. Instead he predicted supply chains would achieve greater resilience by “spreading factories across several regions instead of having just one factory in China”.

Analysing those comments, *Transport Intelligence* adds: “Certainly, Mr Appel’s remarks may reflect someone whose company has a reliance on global trade. Yet what he points to is the economic reality of comparative advantage and the centralisation of production. These are the fundamentals of supply chain management.”

Opinion Piece

Christian Roeloffs, the founder and chief executive of online container logistics platform – xChange, has shared a comprehensive opinion piece on overarching trends in the world as a result of COVID-19.

He mainly covers the following topics:

- overarching trends due to and post COVID-19
 - people got used to working remotely
 - transportation value chains become more flexible, distributed and nimble
 - transparency on performance and reliability will become key differentiator
- new approaches/ technical solutions, for instance for freight bookings or freight rate benchmarking, with the pace of change picking up now with COVID-19 as catalyst
- going forward, building relationships, finding reliable agents and the set of partners companies work with will drastically change

The full article can be found [here](#).

May 2020

