

# Impacts of the Covid-19 Lockdown on World Trade: Global Shipping Crisis Far Worse than Imagined

By [F. William Engdahl](#)

Global Research, August 03, 2021

Region: [Asia](#)

Theme: [Global Economy](#)

All Global Research articles can be read in 51 languages by activating the “Translate Website” drop down menu on the top banner of our home page (Desktop version).

Visit and follow us on Instagram at [@crg\\_globalresearch](#).

First published on July 22, 2021

\*\*\*

*Over the past decades world ocean trade has expanded almost exponentially as major manufacturing outsourcing from USA and European corporations has blossomed under the advent of economic globalization. The result has been that Asia, most especially China, has become the essential manufacturing source for everything from iPhones to antibiotics and everything in-between. The creation of the World Trade Organization to impose new rules on the trade has been a key driver. It has also made global supply chains for delivering goods more fragile than ever in history. The rise in cost of ocean container shipping indicates the growing crisis. Compounding the growing crisis are enormous labor shortages owing to global COVID measures.*

## **Origins of the Crisis**

According to German-based Statista Research Department, some 80 percent of all goods globally are carried by sea including oil, coal, grains. Of that total, in terms of value, global maritime container trade accounts for some 60 percent of all seaborne trade, valued at around 14 trillion US dollars in 2019. This ocean shipping has become the arteries of the world economy for better or worse.

This is a direct consequence of the 1990’s creation of the WTO with new rules favoring outsourcing of manufacture to countries where production was far cheaper, that is as long as ocean transport was cheap. After China became a WTO member in 2001, they became the greatest beneficiary of the new rules and within a decade China was called the “workshop of the world.” Entire industries such as electronics, pharmaceuticals, textiles, chemicals as well as plastics were transferred to China with then the world’s lowest wages, for factory assembly. It worked because the cost of shipping to Western markets was comparatively low.

As the economic output of China grew, China became a world shipping giant, shipping their goods cheaply to places such as Long Beach or Los Angeles, California in the US or

Rotterdam in Europe. The Walmart retail giant was destination for a huge share of the China goods with as much as 80% of its products of China origin. This is not small beer as they say in Texas. Walmart is the world's largest company by revenue, with annual sales of \$549 billion. Today as a result of this globalization China has 8 of the world's 17 largest ports in terms of shipping volumes to handle its exports.

The China shipping expansion combined with that from Japan and South Korea to make up the major ocean container shipping traffic worldwide. That vital economic flow is now under unprecedented stress, which could soon have catastrophic global economic consequences for the world goods supply chains.

When what was termed by WHO as a novel coronavirus, first appearing in Wuhan, was declared by the WHO as a global pandemic in March 2020, the impact on world trade was immediate and huge as countries locked down their economies, something unprecedented in peacetime. **Orders for products from China and other Asian producers were frozen by Western buyers. Container ships were cancelled everywhere in 2020.** Then as US and EU governments released trillions of dollars in unprecedented stimulus, demand for containers from Asia to the West in relative terms exploded, compared with supply, as people began using stimulus, especially in the US to buy online, most of which was "made in China."

That has had a serious disruptive impact on what was once a minor cost—ocean container shipping. Modern container ports, especially those in China, are state-of-the-art, computer automated operations loading thousands of containers daily via automated cranes. At destination ports such as Long Beach or Hamburg the containers are then off-loaded to trucks or train and brought to their destination cities before being returned to the port for return shipping. It is this intricate supply chain that is now in crisis.

In 2019 before the pandemic crisis, the cost of shipping a 40-foot-long container from China to Europe by sea cost between USD 800-2,500. For the bulk of products such as textiles, pharmaceuticals or smart phones, ocean containers were clearly the best low-cost option for Asia-Europe trade despite rail possibilities. For Asia-North America trade it was almost the only option, as air was a costly alternative. **Today with a corona-linked 50% reduction in air travel, container ships are virtually the only long-distance option.**

Now port-to-port spot rates, for example from Shanghai, China's largest container port, to Los Angeles, have exploded from around \$1,500 per 40-foot container just before the WHO Pandemic in early 2020, to \$4,000 in September 2020, and to \$9,631 in the week ended July 8, 2021, according to Drewry Supply Chain Advisors. This is an increase of over 600% from early 2020, pre-pandemic. And this is just one source of the global inflation we [now see erupting](#).

This is not the worst. According to Drewry, "We have heard reports of \$15,000 from China to the West Coast and are aware that carriers are charging additional premiums on top to prioritize the loading of a late booking ahead of normal FAK [Freight All Kinds] rate cargoes." From \$1,500 to \$15,000 in two years is a rise of tenfold. And rates from Shanghai to Rotterdam have also [skyrocketed](#) from below \$2,000 in early 2020, to over \$12,000 in July, or 600%.

To cite one product that experienced panic buying at the start of the Pandemic, China is the

world leader in exports of toilet paper with 11% of global supply. A 600% rise in ocean freight cost makes it inevitable that the price of something as ordinary as toilet paper is slated to rise significantly or become in short supply in key places globally. When such pressures are coming all across the product line, ocean container rates become a significant driver of general inflation.

### **Bottleneck of Containers**

In early 2020 as nations around the world went into unprecedented panic lockdowns over coronavirus fears, global shipping froze. Factories everywhere were closed. Later in 2020 the flows slowly resumed as China opened up. As it became clear in later 2020 that the various huge government economic stimulus money would spark a recovery in demand for Asian goods, especially demand via e-commerce platforms like Amazon, a dramatic shortage in available containers developed. In the USA alone a combined \$9 trillion in total fiscal and monetary stimulus has been released since early 2020. That is world historic.

World trade flows can be compared with the human body's blood circulation system. When bottlenecks develop with port congestion, or say Suez Canal blockage, it is similar to blood clots to the human circulation system. The March 2021 blockage in the Suez Canal of the giant container ship, Ever Given, from Taiwan's Evergreen Co. stopped ship traffic for almost a week in one of the world's major waterways between China and Europe, causing bottlenecks to container deliveries not yet completely resolved. Then in China new testings for corona in the large container port of Yantian - part of the world's 4th largest container port Shenzhen- caused added major disruptions of shipping, further aggravating rate rises. Those disruptions are likely to continue.

When lockdowns had spread globally by April 2020, suddenly millions of containers were stranded in various ports unable to return to China. Empty boxes were left in places where they were not needed, and repositioning was not planned. Massive workforce disruptions from the pandemic lockdowns across the US in 2020 and into 2021 affected not only ports, but container cargo depots all across the country as well as inland transport lines. There was no way to get the containers back to China when China began to restart industry. Moreover, as carriers introduced "blank sailings," or skipped port calls, the mismatch between supply and demand for empty containers was exacerbated, as empty boxes were left behind and failed to be repositioned to China ports. Global "transport clots" appeared.

Danish consultancy Sea-Intelligence estimates that as much as 60% of the container imbalance in Asia today is due to North America, most due to lack of investment in California and other West Coast ports which have the worst port congestion problems.

One Japanese consultancy estimated that terminal productivity in North America lags Asian counterparts by up to 50% in part due to less working hours and union opposition to further automation that would take union jobs. A statement that the US regulator, the Federal Maritime Commission, is "looking into" the issue of equipment availability as part of a wide ranging investigation into the supply chain chaos that has hit the nation's ports, retailers and exporters over the past eight months, is hardly reassuring. The bottleneck problems in US container ports have been chronic and serious since at least 2015. The job of the maritime commission is to monitor just such bottlenecks before they become problematic. They don't, [obviously](#).

As demand for products from China recovered in late 2020, this all had an impact on

container rates. Compounding the container shortages were the lockdowns globally which froze huge volumes of world trade. Construction of needed new containers is also being sharply restricted owing to shortages of steel and lumber as well as manpower, owing to the pandemic measures.

The overwhelming world dependence on shipped goods from China in recent years has become a glaring Achilles Heel in the world economy amid the lockdowns. Such global interdependency was not a factor in the 1930s global depression, contrary to the economic myth about the Smoot-Hawley Tariff Act as a prime cause. Then it was the international debt structures centered on New York banks.

### **Sea Manpower Crisis**

Aggravating the crisis in container availability and port logjams in key world ports, there is a growing crisis of seafaring manpower. Most non-officer seaman labor for container shipping is recruited from Asia. According to the International Chamber of Shipping, The Philippines is the biggest supplier of Ratings (skilled seafarers), followed by China, Indonesia, the Russian Federation and Ukraine. The global corona lockdowns and most recently the alarm over the so-called Indian or "Delta" corona variant, despite lack of data on its lethality, have created a growing catastrophe in the situation of ship labor. Before the corona pandemic declaration in 2020, ship labor supply was already very tight. This manpower problem is impacting ship cargo rates as well.

In July an estimated 9% or 100,000 seamen on container and other ships were stranded on ships past their legally contracted time, as countries from China to the US prohibit them to come ashore owing to corona contagion restrictions. That means crew changes are not taking place and the sea-stranded crews are under growing psychological and physical stress, even leading to suicides. Then, an additional estimated 100,000 or more seamen or Ratings are stranded ashore in various countries due to pandemic lockdowns, unable to work. The maximum allowed contract length is 11 months, as stipulated by a UN seafaring convention. Normally there is a rotation of some 50,000 seafarers monthly on and off ship. Now it is a fraction of that. According to the International Transport Federation union, as many as 25% fewer seafarers are joining vessels than pre-pandemic. The union General Secretary stated, "We have warned that global brands need to be ready for the moment some of these tired and fatigued [people finally snap.](#)"

Onshore as the pandemic lockdowns in especially California kept thousands of workers from the major US-Asia ports in Los Angeles and Long Beach, it was not possible to clear the very large backlog of containers before more started arriving, a bit like the plague of the Sorcerer's apprentice. North America currently faces a 60% imbalance; which means that for every 100 containers that arrive only 40 are exported. Sixty out of every 100 containers [continue to accumulate.](#)

Drewry estimates that these negative factors will also lead to a decade-high shortfall of officers to crew in the world merchant fleet in the next several years. All this underlines how extremely fragile and brittle the delivery system of the globalized world supply chains are today. The global COVID lockdowns are having far more serious long-term impacts than most are aware. The world economy is a dynamic, highly complex interconnected web that is not able to turn off and on like a flick of a light switch.

\*

Note to readers: Please click the share buttons above or below. Follow us on Instagram, @crg\_globalresearch. Forward this article to your email lists. Crosspost on your blog site, internet forums. etc.

**F. William Engdahl** is strategic risk consultant and lecturer, he holds a degree in politics from Princeton University and is a best-selling author on oil and geopolitics, exclusively for the online magazine [“New Eastern Outlook”](#) where [this article](#) was originally published.

He is a Research Associate of the Centre for Research on Globalization.

Featured image is from NEO

---



## **Seeds of Destruction: Hidden Agenda of Genetic Manipulation**

**Author Name: F. William Engdahl**

**ISBN Number: 978-0-937147-2-2**

**Year: 2007**

**Pages: 341 pages with complete index**

List Price: \$25.95

**Special Price: \$18.00**

This skilfully researched book focuses on how a small socio-political American elite seeks to establish control over the very basis of human survival: the provision of our daily bread. “Control the food and you control the people.”

This is no ordinary book about the perils of GMO. Engdahl takes the reader inside the corridors of power, into the backrooms of the science labs, behind closed doors in the corporate boardrooms.

The author cogently reveals a diabolical world of profit-driven political intrigue, government corruption and coercion, where genetic manipulation and the patenting of life forms are used to gain worldwide control over food production. If the book often reads as a crime story, that should come as no surprise. For that is what it is.

The original source of this article is Global Research  
Copyright © [F. William Engdahl](#), Global Research, 2021

---

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: **F. William Engdahl**

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)

[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)