

The importance and vulnerability of the Suez Canal for global shipping

- Canals are strategic crossing points connecting production and consumption areas across the world's main maritime routes, while minimizing travel time and costs. They provide great opportunity, but also present risks, as illustrated in the case of the Suez Canal.

The importance of the Suez Canal

- ❖ Since it opened to navigation in 1869, the Suez Canal has been a critical artery saving thousands of miles in travel time by not having to circumvent Africa.
- ❖ Around 12% of global trade, over one million barrels of oil and roughly 8% of liquefied natural gas transit through the canal every day.
- ❖ Before the pandemic, trade through the Suez Canal accounted for 2% of Egypt's GDP.

The vulnerability of the Suez Canal

- ❖ The blocking of the canal in March 2021, by the "Ever Given", a giant container ship, stranded in the southern part of the passage, considerably impacted Suez Canal revenues: an estimated \$15 million per day it was blocked.
- ❖ Allianz, the insurance company estimated the obstruction cost global trade between \$6 and \$10 billion per week cut global economic growth by 0.2 to 0.4 percentage points.
- ❖ Shipping broker Braemar ACM underlined that the cost of leasing vessels to transport goods to and from Asia and the Middle East soared 47% to a mean \$2.2 million during the blockage.



▶ During the blockage of the Suez Canal, the only other way to connect Europe to Asia or the Middle East was around the Cape of Good Hope, which meant a detour of some 9,000 kilometers and an additional ten days of travel.

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References

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