

The Suez Canal blockage and the globalization of production

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The colossal implications of one of the largest container ships in the world, the Ever Given, running aground and blocking Egypt's Suez Canal have been felt internationally.

The huge container ship, wedged across the canal since last Tuesday during a seasonal sandstorm, was finally freed from the shoreline in the early hours of this morning by tugboats. Efforts to fully refloat it are ongoing at the time of writing.

The blockage of a vital artery of the world economy by a single ship—an accident waiting to happen—reveals fundamental aspects of modern society.

The ship is owned by the Japanese company Shoei Kisen Kaisha, operated by the Taiwanese company Evergreen Marine Corporation, flagged in Panama and carrying goods worth \$89 million.

Production and economic activity have become internationally integrated to an unprecedented extent, linking the working class in every country into a powerful interconnected network, such that the disruption of a single major transit hub quickly makes itself felt throughout the globe.

Almost 50 percent of the vessels that transit the Suez Canal are container ships carrying car components, appliances, apparel and consumer electronics to and from continents. Goods heading for Europe will themselves be integrated into components to be shipped to the Americas and the rest of the world, often for final assembly elsewhere.

However, under the irrational, anarchic capitalist social order, with the world divided into rival nation states, there has been virtually no serious preparations for an event like the Suez Canal jam, which has long been predicted, given the huge expansion in the number and size of container “mega-ships.”

With more than 450 vessels now waiting at either end

of the canal, analysts believe that the insurance industry could be facing claims in excess of \$100 million. However, the final bill, including compensation for delays, loss of revenue for the Suez Canal Authority (SCA), potential damage to cargo and the cost of refloating the ship, could include sums even higher.

While the precise causes of the Ever Given accident have yet to be determined, it points to the incompetence and corruption endemic in the Egyptian state apparatus. The SCA, the state-owned and largely military-run corporation responsible for the operation and maintenance of the Suez Canal, including its computerized traffic management system, pilots and dredging, has sought to downplay the severity of the incident and is unable to say how long it will take to unblock the canal. The chief of the SCA, Lt. Gen. Osama Rabie, has already announced that the agency is discussing compensation for the waiting ships, implying negligence on the SCA's part.

But the global implications are far greater. Analysts are warning that the blockage threatens a severe disruption to global trade supplies, with massive repercussions on global supply chains that now rely on minimal levels of stocks commensurate with just-in-time production techniques, and consequences for workers' jobs and consumer prices. It is likely to further fuel national antagonisms.

The Suez Canal is one of the world's busiest waterways, linking the Indian Ocean, the Red and Mediterranean Seas. The canal is traversed by 19,000 vessels a year, carrying \$10 billion of goods every day, or an estimated 13 percent of global trade by volume, and around 10 percent of the world's oil, mostly between Asia, the Middle East and Europe.

As sea trade has grown, the size of container ships has also grown, driven by the need to lower shipping

costs and achieve economies of scale. The average size of container ships is now five times larger than just 20 years ago, paving the way for both fewer ships and enormous cost reductions, to the extent vessels capable of carrying 20,000 20-foot equivalent containers are operated with a crew of just 20. But such ships are too deep and large to transit some shipping routes, such as the Panama Canal, or dock at some port quays, requiring significant investment to accommodate the ships, handle their loading and unloading and manage the scheduling to avoid port congestion.

With the Suez Canal blocked, some ships began to divert around the southern tip of Africa, a much more hazardous route, adding up to two weeks to the journey and with higher labour and fuel costs. This in turn will exacerbate the shortage of containers and container ships and create delays, shortages of goods and higher prices, with oil prices rising 7 percent in response to the news of the blockage. A report published by the German insurer Allianz Global estimated the bottleneck could cost global trade \$6 billion to \$10 billion a week.

Smaller tankers and oil products, like naphtha (a liquid fuel) and fuel oil exports from Europe to Asia—about 20 percent of Asia’s naphtha is supplied by the Mediterranean and Black Sea via the Suez Canal—will also be affected if the canal remains blocked for several weeks.

The traffic jam in the Suez, when eventually freed up, will in turn lead to further congestion and disorganization as ships flood into ports which are already overstretched due to the consequences of the coronavirus pandemic.

The Suez Canal event also emerges amid severely hampered supply chains, including widespread shortages of semiconductors, a key component in cars, smartphones, PCs, tablets and TVs, the brutal winter storm in Texas last month, slowing production of plastic goods, and a major backlog of container ships in Southern California ports.

The blockage of the Suez Canal threatens a further intensification of geopolitical tensions under conditions in which numerous flashpoints exist and have been multiplying. Ships forced to reroute from the Red Sea towards South Africa’s Cape of Good Hope face the threat of piracy off the coasts of East Africa and West Africa, which have seen an increase in pirate kidnappings in recent months, leading several shipping

companies to call on the US Navy to provide escorts.

Russian Foreign Ministry official Nikolai Korchunov argued the need for the development of new shipping routes, including a northern sea route through the Arctic Ocean, which has itself become the focus of increasing geopolitical conflicts as the adjacent countries seek to assert their territorial claims to secure access to the vast energy reserves and rare materials that are believed to be in the Arctic region.

Today, the global nature of capitalism is beyond dispute, as is the reactionary nation-state system that is driving the world’s major capitalist powers ever closer to global war and increasing social inequality at home, while preparing dictatorial forms of rule.

Capitalism has demonstrated over and over again that it is impervious to science and reason, criminally irrational and utterly opposed to addressing any social problems even as it demands ever fatter profits. Coming amid the pandemic, which has already killed 2.7 million people worldwide, it only confirms the necessity of abolishing the capitalist system and replacing it with an internationally coordinated, rationally and scientifically directed system of economic planning, based on equality and the satisfaction of human need: socialism.



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