TP&I News

March 2024

The purpose of the TP&I News is to provide the latest news for the shipowners, charterers, as well as any other maritime interests around the globe. Each issue of TP&I News will include a focused review section of several articles on a topic of current interest.[1]

1. Disruptions In Key Global Shipping Route

Disruptions in key global shipping route – Suez Canal, Panama Canal, and Black Sea – signal unprecedented challenges for global trade affecting millions of people in every region

Maritime transport, the backbone of international trade, is responsible for 80% of the global movement of goods.

Source: UNCTAD

Attacks on shipping affecting the Suez Canal add to geopolitical tensions impacting shipping routes in the Black Sea, and severe drought due climate change disrupting shipping in the Panama Canal.

The UN Conference on Trade and Development (UNCTAD) has released "Navigating Troubled Waters: The Impact to Global Trade of Disruption of Shipping Routes in the Red Sea, The Black Sea and the Panama Canal" signaling how attacks on Red Sea shipping which have severely affected shipping through the Suez Canal, added to existing geopolitical and climate-related challenges, are re shaping the worlds' trade routes.

Disrupting the lifelines of the world

In the wake of recent attack to shipping, the Red Sea's maritime trade routes through the Suez Canal have become severely disrupted further impacting the global trade landscape. This development compounds the ongoing disruption in the Black Sea due to the war in Ukraine, which has resulted in shifts the oil and grain trade routes, altering established patterns.

Additionally, the Panama Canal, a critical artery linking the Atlantic and Pacific Oceans, is confronting a separate challenge: dwindling water levels. Diminished water levels in the canal have raised concerns about the long-term resilience of global supply chains, underscoring the fragility of the world's trade infrastructure.

UNCTAD estimates that transits passing the Suez Canal decreased by 42% compared to its peak. With major players in the shipping industry temporarily suspending Suez transits, weekly container ship transits have fallen by 67%, and container carrying capacity, tanker transits, and gas carriers have experienced significant declines. Meanwhile, total transits through the Panama Canal plummeted by 49% compared to its peak.

Costly uncertainty

Mounting uncertainty and shunning the Suez Canal to reroute around the Cape of Good Hope is having both an economic and environmental cost, also representing additional pressure on developing economies.

[1] Disclaimer

Growing significantly since November 2023, the surge in the average container spot freight rates registered the highest ever weekly increase growing by US 500,- in the last week of December. This trend has continued. Average container shipping spot rates from Shanghai more than doubled since early December (+122%), growing more than threefold to Europe (+256%), and even above average (+162%) to the United States West coast, despite not going through Suez.

Ships are avoiding the Suez and the Panama Canals and seeking alternative routes. This combination translates into longer cargo travel distances, rising trade costs and insurance premiums. Furthermore, greenhouse gas emissions are also growing from having to travel greater distances and at greater speed to compensate for the detours.

The Panama Canal is particularly important for the foreign trade of countries on the West Coast of South America. Approximately 22% of total Chilean and Peruvian foreign trade volumes depend on the Canal. Ecuador is the country most dependent on the Canal with 26% per cent of its foreign trade volumes crossing the Canal.

Foreign trade for several East African countries is highly dependent on the Suez Canal. Approximately 31% of foreign trade by volume for Djibouti is channeled through the Suez Canal. For Kenya, the share is 15%, and for Tanzania it is 10%. Among East African countries, foreign trade for the Sudan depends the most on the Suez Canal, with about 34 per cent of its trade volume crossing the Canal.

Soaring prices

UNCTAD underscores the potential far-reaching economic implications of prolonged disruptions in container shipping, threatening global supply chains and potentially delaying deliveries, causing higher costs and inflation. The full impact of higher freight rates will be felt by consumers within a year.

In addition, energy prices are surging as gas transits are discontinued and directly impacting energy supplies and prices, especially in Europe. The crisis could also potentially impact global food prices, with longer distances and higher freight rates potentially cascading into increased costs. Disruptions in grain shipments from Europe, Russia, and Ukraine pose risks to global food security, affecting consumers and lowering prices paid to producers.

Climate impact

For more than a decade, the shipping industry has adopted reduced speeds to lower fuel costs and address greenhouse gas emissions. However, disruptions in key trade routes like the Red Sea and Suez Canal, coupled with factors affecting the Panama Canal and Black Sea, are leading to increased vessel speeds to maintain schedules which have resulting in higher fuel consumption and greenhouse gas emissions.

UNCTAD estimates that higher fuel consumption resulting from longer distances and higher speeds could result in up to 70% rise in greenhouse gas emissions for a Singapore-Rotterdam round trip.

Pressure on developing economies

Developing countries are particularly vulnerable to these disruptions and UNCTAD remains vigilant in monitoring the evolving situation.

The organization emphasizes the urgent need for swift adaptations from the shipping industry and robust international cooperation to manage the rapid reshaping of global trade. The current challenges underscore the exposure of global trade to geopolitical tensions and climate-related challenges, demanding collective efforts for sustainable solutions especially in support of countries more vulnerable to these shocks.

2. TOGO: Fine Alert!

Vessels calling in Lomé (Togo) should be aware that they may face fines of over 130 million Euros and prison sentences of between 3 months and one year for exchanging items with local people, notably fishermen.

In the three cases known to us, following requests from fishermen, vessels at anchorage gave them small quantities of low value items such as barrels of sludge, bottles of water, or scrap in exchange for seafood or sim cards.

Source: BUDD PNI

In each case, the fishermen were arrested on their return to the port of Lomé and gave their accounts of the facts to the Police before the vessels were detained. After preventing them from sailing, Customs told the vessels that they were liable for fines of somewhere between 60 and 130 million Euros on the grounds that their informal transactions constituted smuggling.

In all cases to date, Customs refused to either:

Discuss the fines unless the fine demand documents ("Procés Verbal de Constat" or "PV") were signed by a party with a formal mandate to speak on behalf of the vessel, or «allow the signee to add standard disclaimers such as "Without Prejudice" or "For Receipt Only".

On the one occasion that a disclaimer was used, it was after weeks of discussions with Customs.
During this time, the vessel remained under detention and no negotiations regarding the amount of the fine could start.

The reason these smuggling fines are so high is that they are calculated according to:

- the value of the items that were exchanged
- plus twice the estimated values of all the vessels involved
- plus Customs duties of between 28% and 49% on both the articles exchanged and the estimated values of the vessels.

Relevant Articles of Togolese Customs Code

The Fine Demands from Customs refer to the following articles of the Togolese Customs Code (Law n° 2018-007) which we have translated into English:

Article 60 - Paragraph 2

No goods can de discharged or transferred without written authorisation from Customs.
Discharge and transfer operations must take place in the presence of Customs at the times and under the conditions decided by the General Commissioner.

Article 340- Paragraph 1

Captains of ships, boats, vessels and aircraft are considered liable for any omissions or inexact information found in their cargo manifests and, generally speaking, for any infringements committed on board their vessel or aircraft.

Article 372 - Paragraph 1

The following are deemed imports without declaration of prohibited goods: fraudulent disembarkation of articles cited in article 369, paragraph 2;

Article 369 - Paragraph 2

The following are deemed to be undeclared imports:
Those items which are prohibited or heavily taxed on entry or liable to internal taxes discovered on board ships within the limits of commercial ports or roads which were not duly included in the cargo and the ship's store declarations presented before inspection.

Article 359 - Paragraph 1

1. The following offences are punishable by confiscation of the object of fraud, confiscation of the means of transport, confiscation of objects used to conceal the fraud, a fine equal to double the value of the object of fraud and imprisonment of between three (03) months and one (01) year any act of smuggling as well as any act of import or export without declaration when these offences relate to goods in the category of those which are prohibited or heavily taxed on entry, or prohibited or taxed on exit.

The term of imprisonment is increased to a maximum of ten (10) years and the fine may be up to five (05) times the value of the object of the fraud when the acts of smuggling, importing or exporting concern goods that are dangerous to public health, morals or safety, the list of which is determined by order of the Minister of Finance.

Recommendations

Avoid bartering any items whatsoever, even at anchorage. You never know who is watching.

Immediately contact your P&I Correspondent if your vessel faces difficulties with Customs.

3. Commencement Of Commercial Operations At Dibba Port

Dibba Port is now commercially operational effective March 01, 2024.

Source: Fujairah Port Authority

[1] Disclaimer