



Impact of shipping disruptions on trade in Africa

Concept Note for the Webinar

Date: 30th April 2024

Time: 3:00PM (Addis Ababa time, UTC+3) | 2:00PM (Geneva time, UTC+2)

Background

For the first time, the world faces simultaneous disruptions in two major global maritime trade waterways, with far-reaching implications for inflation and food and energy security. Since November 2023, escalating attacks on ships in the Red Sea have been compounding disruptions in the Black Sea caused by the war in Ukraine and in the Panama Canal due to climate-induced droughts.

Attacks on vessels in the Red Sea area reduced traffic through the Suez Canal, the shortest maritime route between Asia, Europe and Africa, through which about 15 percent of global maritime trade volume normally passes. Instead, several shipping companies diverted their ships around the Cape of Good Hope. This increased delivery times by 10 days or more on average, hurting companies with limited inventories. Given the risk of attack in the Red Sea, many ships are now avoiding the canal, opting for a longer route around Africa. By the first half of February 2024, 586 container vessels had been rerouted, while container tonnage crossing the canal fell by 82%.

Red Sea and Suez Canals interrupted: Impacts and implications:

The Suez Canal is a major source of foreign currency revenue for Egypt, contributing \$9.4 billion in the fiscal year 2022/23, about 2.3% of the country's GDP. The Red Sea crisis has reportedly triggered a 40% drop in Suez Canal revenues. A deteriorating situation in Egypt could have negative spillover effects for other countries in the region. They include Djibouti, where approximately 31% of foreign trade by volume is channeled through the Suez Canal. For Kenya, the share is 15%, for Tanzania it's 10% and for Sudan it's about 34%.

Longer shipping journeys mean more fuel demand; constraints to shipping in the Red Sea mean more supply constraints. Together, that means limited availability and higher costs per unit. This situation shall also increase the cost of transport and will have several economically disruptive impacts. The full impact of higher freight rates will be felt by consumers within a year.

Countries in East Africa are particularly vulnerable to trade disruptions, due to their relatively high reliance on wheat imports from Europe and the Black Sea. In the case of East Africa, previous research has shown that for many of the countries, imports account for a large share of consumption. Disruptions to imports could put further pressure on food inflation in these countries, which has just begun to decrease following consumer price increases in 2022.

Objective of this Webinar

The webinar will bring together key stakeholders from the shipping sector, ports management, policymakers, and the private sector. The objective will be to discuss possible implications of shipping disruptions on trade in Africa and identify alternative solutions, specific objectives are to:

- Inform stakeholders on the shipping trends and developments so that they plan accordingly;
- Discuss the effects of shipping disruptions such as increase of the transport cost, cost of insurance, inflationary pressure, and environmental impact.
- Analyze possible alternative solutions to mitigate the impact of shipping disturbances, including the AfCFTA.

Targeted participants

- Inter-governmental organizations
- Government Line Ministries
- Port management Authorities and Port Operators
- Logistics and Maritime Service Providers
- Shipowners and their associations
- Freight Forwarders
- Other port and shipping stakeholders from Africa

Proposed Agenda

3:00 – 3:05PM	Opening remarks <ul style="list-style-type: none">• UNCTAD• Djibouti Ports and Free Zones Authority (DPFZA) <i>TBC</i>• Alexandria Port Authority <i>TBC</i>
3:05 – 3:15PM	Presentation of the Report <ul style="list-style-type: none">• UNCTAD
3:15 – 3:45PM	Panel discussion <i>TBC</i> <ul style="list-style-type: none">• African Union / Maritime transport• AfCFTA Secretariat / ECA services expert• DP World• Kenya / Tanzania or Ethiopia Ministry of transport• Federation of East African Freight Forwarders Associations• Africa shipowners' association• Zimbabwe Freight forwarders association
3:45 – 4:30PM	Q&A and Closing remarks. <ul style="list-style-type: none">• UNCTAD