Ultra-flash: Shipping & Trade War

The trade tensions between USA and China has led to 57 pct. of trade between the two countries being subject to new tariffs. Dry Cargo, LPG\(^1\) and container are the segments most affected by the trade tensions. However, due to unchanged trade volumes freight rates are not negatively affected.

- Trade tensions between USA and China began by USA imposing tariffs on Chinese steel 1 April 2018. In total, six rounds of tariffs have been imposed between USA and China.

- With the latest American tariffs of 200 billion USD and Chinese retaliatory tariffs of 60 billion USD, approx. 57 per cent of total trade between the two will be subject to tariffs.

- Dry Cargo (grain and steel), LPG and container are the shipping segments most affected by the imposed tariffs.

- The dry cargo sub-segment grain is hit by tariffs on 8.5 pct. of global seaborne trade, while 5.7 pct. of global seaborne steel trade is also affected. Tariffs hit 4 pct. and 3.8 pct. of global seaborne trade on LPG and container respectively.\(^2\)

- The consequences of the trade war for shipping can be divided into three phases. In phase one, existing contracts maintain trade flows, but market uncertainty arises. The second phase is characterized by new trade flows based on the same global demand of goods – and therefore an unchanged global trade volume. In the third phase, less global economic growth affect demand for goods negatively and hence a relative decrease in global trade volumes.

- Shipping is currently in phase two. Freight rates have actually increased in the same segments since the beginning of the trade war despite the trade being subject to tariffs. For instance, dry cargo freight rates are up by 22 pct. and LPG freight rates by 38 pct. since the imposition of tariffs.

\(^1\) Liquid petroleum gas
\(^2\) Clarkson Shipping Intelligence Network