

Conflict already leading to transport cost hikes

Red Sea attacks could result in lasting turmoil

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Two months of missile, drone and hijacking attacks against civilian ships in the Red Sea have caused the biggest diversion of international trade in decades, pushing up costs for shippers as far away as Asia and North America. The disruption is spreading, fueling fears of broader economic fallout.

Repeated rounds of retaliatory strikes by the U.S. and its allies, as well as a multinational naval operation to patrol the waters, haven't stopped the assaults by Houthi militants that followed the start of the Israel-Hamas war.

With sailors demanding double pay and insurance rates skyrocketing, shipping lines are steering clear of a waterway that normally carries 12% of the world's seaborne trade.

More than 500 container ships that would have sailed through the Red Sea to and from the Suez Canal, carrying everything from clothing and toys to auto parts, are now adding two weeks to their routes to travel around the Cape of Good Hope at the southern tip of Africa, according to Flexport. That's about a quarter of all the container-shipping capacity in the world, according to the digital logistics platform.

"We haven't seen costs increase this quickly since the last crunch in the pandemic," said Vincent Iacopella, a logistics expert at Alba Wheels Up. Many of the underlying bottlenecks in supply chains remain, even though prices dropped last year as the COVID-19 disruptions faded, he said. The cost of shipping containers from China to the Mediterranean Sea has more than quadrupled since late November, according to Freightos, a cargo-booking company.

Shipping lines, as well as companies that carry oil, say they're planning for the

upheaval to last months or more, with vessels for the longer route booked as far out as the summer. That means every company sending goods has more inventory tied up in transit and needs yet more in case containers get scarce. Already, the factories that make those ubiquitous metal cargo boxes are working flat out, according to Container xChange, an online industry platform. Ports as far away as Halifax, in the Canadian province of Nova Scotia, report delays in getting ships, and higher costs.

Customers are scrambling to adapt. Volvo and Tesla have announced production suspensions at plants in Europe, citing the inability to get components from suppliers in Asia. British retailers Tesco and Marks & Spencer have flagged the risk of higher costs.

Maersk, the No. 2 container carrier, warned last week that disruptions will last for a few months at least. Though many companies say they still haven't felt the effects, the longer the upheaval goes on, the wider the economic impact.

"So far, many executives and investors have consistently undershot the potential for this risk to emerge," said Alexis Crow, who specializes in geopolitics and long-term investing at PricewaterhouseCoopers. "This is perhaps predicated on a misguided assumption that the Israel-Hamas conflict remains contained."

Though there's no sign the higher costs are boosting inflation yet, central bankers are already warning of the risks. Christine Lagarde, president of the European Central Bank, cited "the coming back of supply bottlenecks" as one of the four key risk factors she's watching. Low water levels are already slowing flows through the Panama Canal.

A spike in oil prices would be another risk for inflation if the conflict disrupted supply.

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The streets of disaster-hit Suzu in Ishikawa Prefecture on Wednesday. The Sea of Japan coast is likely to receive heavy snowfalls on Thursday, according to weather forecasts. Story: page 2 KYODO

Toyota market cap hits record high

Against background of soaring shares, there are expectations that strong earnings will follow

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Amid a sharp rally in Japanese stocks since the beginning of this year, Toyota's market capitalization climbed to a record high for a Japanese firm on Tuesday, topping the previous high marked by tech giant NTT in 1987.

The market cap of Japan's largest automaker reached ¥48.79 trillion (\$330 billion) at the end of Tokyo stock trading, with Toyota shares having closed ¥9 higher at ¥2,991 after briefly reaching an all-time high of ¥3,034.

According to Daiwa Securities, the previous market-cap record, based on the closing value, was ¥48.67 trillion set by NTT in May 1987, a few months after the firm went pub-



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E-scooter traffic violations see fourfold rise

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In the six months since Japan eased regulations on electric scooters last July, traffic violations involving such vehicles increased fourfold, according to the National Police Agency.

Reports of traffic violations by e-scooter riders totaled 1,879 in the month of December, a significant increase from the 405 cases reported in July of last year.

The eased e-scooter regulations made it possible for people over the age of 16 to ride the vehicles without a driver's license.

The total number of reported violations during the six months from July to December was 7,130. Almost half of the violations were in relation to riders driving in the wrong traffic lane, while 38% concerned riders ignoring traffic lights. Eighty-five scooter accidents have been reported, along with 86 injuries as a result. So far, no deaths involving e-scooters have been reported.

The figures mark an increase from previous years. In 2022, 41 accidents involving e-scooters were reported, following 29 such cases in 2021 and four in 2020.

As use of e-scooters continues to increase in cities nationwide, more people have expressed concerns over their safety. According to an online survey released by major insurance company Sompo Japan last Friday, 78.8% of the 796 respondents said they "feel (scooters) are dangerous" after seeing how they are driven on the streets.

The same survey found that the biggest concern people have about e-scooters is that they are unsure of the traffic rules regarding the vehicle, and that they are scared of falling down or colliding with other people on the street while riding a scooter.

E-scooters have been gaining popularity in Japan since 2021, especially among people in their 20s and 30s. One of the most popular domestic scooter rental services is Luup, which has around 5,900 ports around the nation. Those over 16 can easily rent a Luup e-scooter by using the company's app. However, first-time users are required to pass a quiz on traffic regulations and the app sends periodic reminders as well.

To prevent traffic violations from turning into major accidents, the NPA is calling on e-scooter riders to be mindful of the rules. Traffic regulations prohibit users from riding while intoxicated, as well as double riding, and also require users to wear a helmet.

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Death penalty may await Kyoto Animation arsonist

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A ruling will be handed down on Thursday for Shinji Aoba, 45, who is facing a possible death penalty over one of Japan's worst-ever mass-murder cases.

Thirty-six people were killed after Aoba set fire to a Kyoto Animation studio in July 2019, believing the firm stole his story idea.

The focus of the trial is on whether he is mentally competent enough to be held criminally liable.

Prosecutors, who have argued that he was, sought the death penalty in December, saying there could be no alternative punishment considering what he had done.

The defense team, meanwhile, said he should be acquitted or receive a reduced sentence due to his diminished mental state.

Two psychiatrists who testified in court were also divided over his state of mind.

During the 22 trial sessions from September to December last year, a lot was revealed about his upbringing, how he built up a grudge against Kyoto Animation, and how



he went ahead with his plan to set fire to the animations studio — despite having second thoughts.

Prosecutors painted Aoba as someone who tends to blame others for his misfortunes, and turns violent from grievances he harbors.

Nobuo Komiya, a professor of criminology at Risho University, said that individuals who commit crimes as a result of feeling wronged by society often target symbols of happiness.

A man prays on July 19, 2019, outside the Kyoto Animation building where 36 people died in a fire caused by Shinji Aoba the previous day. AFP-JIJI

"The reason a symbol of happiness becomes the target is because they feel an increasing sense of unfairness," Komiya said.

Born to a family with two other siblings in Saitama Prefecture, Aoba's parents divorced when he was 9 years old, after which he then lived with his father, older brother and younger sister. His father was strict and abusive. According to his brother's accounts read out in court, he used to punish Aoba and his brother by making them stand outside naked during winter and splashing cold water on them.

Aoba worked at a convenience store for nearly eight years before he quit — he was unhappy with how the manager had been treating him. To make ends meet, he started shoplifting and became resentful toward life, describing himself as someone with "no money, no friends."

It was during this time that Aoba began to see similarities between himself and mass murderer Tomohiro Kato, who was also a victim of domestic abuse and was a temporary worker like he was.

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