6. Trade tensions curbed maritime shipments and caused trade patterns to shift

In 2019, the United States increased its merchandise exports to the rest of the world, which helped offset to a certain extent reduced exports to China. Less than 2 per cent of world maritime trade in metric tons and 7 per cent of containerized cargo are estimated to be subject to the new tariffs introduced by China and the United States between 2018 and 2019 (Clarksons Research, 2020a). It is estimated that additional tariffs curbed maritime trade by 0.5 per cent in 2019, the overall impact of which was mitigated by substitution trends, that is to say, by exporting and/or importing from alternative markets, and the extent to which demand for tariffed goods is sensitive to increased tariff levels. The quest for alternative markets and suppliers resulted in changing trade patterns and a redirection of flows away from China towards other markets, especially in South-East Asia, thereby promoting the deployment of smaller vessels in intra-Asian trade (Clarksons Research, 2020a).

Between 2017 and 2019, all major shipping segments experienced declines in exports of tariffed goods. Although United States exports of such goods were redirected to new markets, they failed to fully compensate for the volumes lost to China. This is the case for dry bulk commodities exports, for example. A greater number of exports to the rest of the world may have added volumes but did not support maritime trade in ton-miles, as countries importing more dry bulk commodities from the United States were at a shorter distance, compared with China.

Viet Nam benefited the most from the changing trade patterns triggered by trade tensions. Although there has been some migration in sourcing to other countries in South-East Asia since 2018, the market shares of Cambodia, Indonesia, Malaysia, the Philippines, Singapore and Thailand did not increase at the same pace as those of Viet Nam. The share of China in United States imports from Asia dropped to 63.8 per cent in 2019, down from 69.1 per cent in 2018 (JOC.com, 2020a). The production of some goods, such as electronics and footwear, had already been delocalized to Viet Nam as the country continued to boost its capacity to receive new business by developing port and inland transportation infrastructure and upgrading manufacturing skills. In a parallel development, carriers added trans-Pacific services at ports in Viet Nam. Other South-East Asian nations were also expanding their manufacturing base, but at a slower pace. Different patterns are associated with each of the containerized and bulk trades. In general, the bulk commodities and raw material cargoes sectors seek different markets, while the containerized and manufactured goods sectors seek alternative suppliers.

7. Slower growth in port traffic in 2019 and shifts in port-call patterns

UNCTAD estimates that growth in global container port throughput decelerated to 2 per cent in 2019, down from 5.1 per cent in 2018. In 2019, some 811.2 million TEUs were handled in container ports worldwide, reflecting an additional 16.0 million TEUs over 2018 (table 1.11).

Table 1.11 World container port throughput by region, 2018–2019
(Million 20-foot equivalent units and annual percentage change)

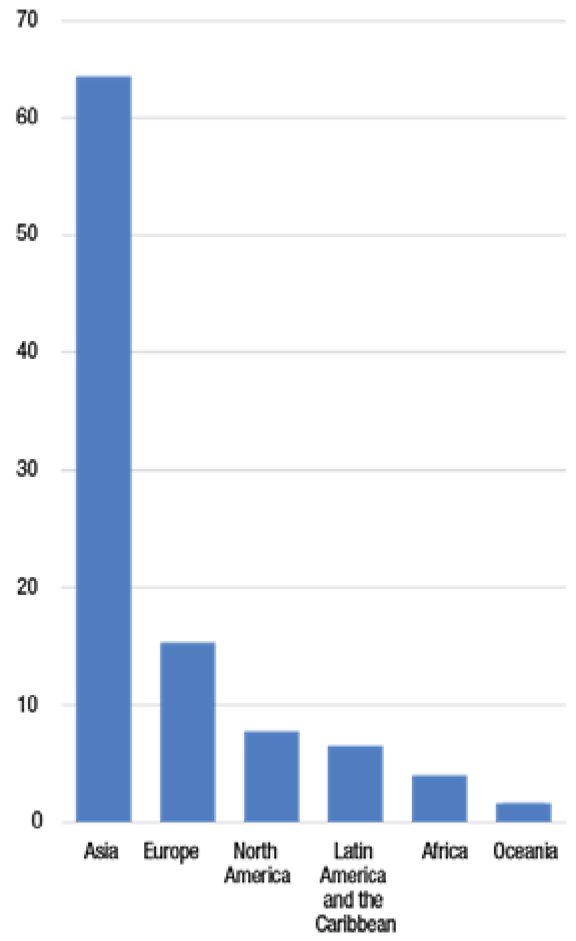
	20-foot equivalent units		Annual percentage change
	2018	2019	2018–2019
Asia	514.9	526.7	2.3
Europe	121.7	123.6	1.5
North America	61.6	62.5	1.6
Latin America and the Caribbean	52.3	52.6	0.7
Africa	31.3	32.5	3.9
Oceania	13.5	13.2	-2.2
Small island developing States			
Oceania	13.5	13.2	-2.2
World total	**795.3**	**811.2**	**2.0**

Sources: UNCTAD calculations, based on data collected by various sources, including Lloyd's List Intelligence, Dynamar B. V., Drewry, as well as information published on the websites of port authorities and container port terminals.

Note: Data are reported in the format available. In some cases, estimates of country volumes are based on secondary source information, reported growth rates and estimates based on correlations with other variables, such as the liner shipping connectivity index of UNCTAD. Country totals may conceal the fact that minor ports may not be included. Therefore, in some cases, data in the table may differ from actual figures.

In 2019, nearly 65 per cent of global port-container cargo handling was concentrated in Asia – the share of China alone exceeded 50 per cent (figure 1.10). Europe ranked second in terms of container port-handling volumes,

Figure 1.10 Estimated world container port throughput by region, 2019
(Percentage share in total 20-foot equivalent units)



Sources: UNCTAD calculations, derived from table 1.11 of this report.

behind Asia, whose share was more than four times greater. Other regions in descending order are North America (7.7 per cent), Latin America and the Caribbean (6.5 per cent), Africa (4 per cent) and Oceania (1.6 per cent).

Although the rankings of the world's top 20 container ports in 2019 changed little compared with 2018, slower growth in the world economy and trade translated into moderated growth in global container port throughput. As shown in figure 1.11(a) and (b), there were reductions in volumes handled in some ports such as Dalian, China; Dubai, United Arab Emirates; Hong Kong, China; and Long Beach, United States. In comparison, container port activity continued to grow in other ports such as Antwerp, Belgium; Hamburg, Germany; Klang, Malaysia; Qingdao, China; and Tianjin, China (Lloyd's List, 2020).

In China, growth in Shanghai lagged behind that of Ningbo in 2019, as the latter benefited from feeder and rail traffic growth. During the year, six new rail connections came into operation and helped attract more traffic from neighbouring provinces, reflecting government policy to concentrate container trade in selected ports to prevent unhealthy port competition. Volumes in Hong Kong, China dipped by 6.3 per cent, as the political crisis had a negative impact on the economy. The port has also been losing market share to ports in mainland China. Qingdao and Tianjin, China have seen more domestic traffic move by sea as a result of government anti-pollution measures to restrict trucking operations.

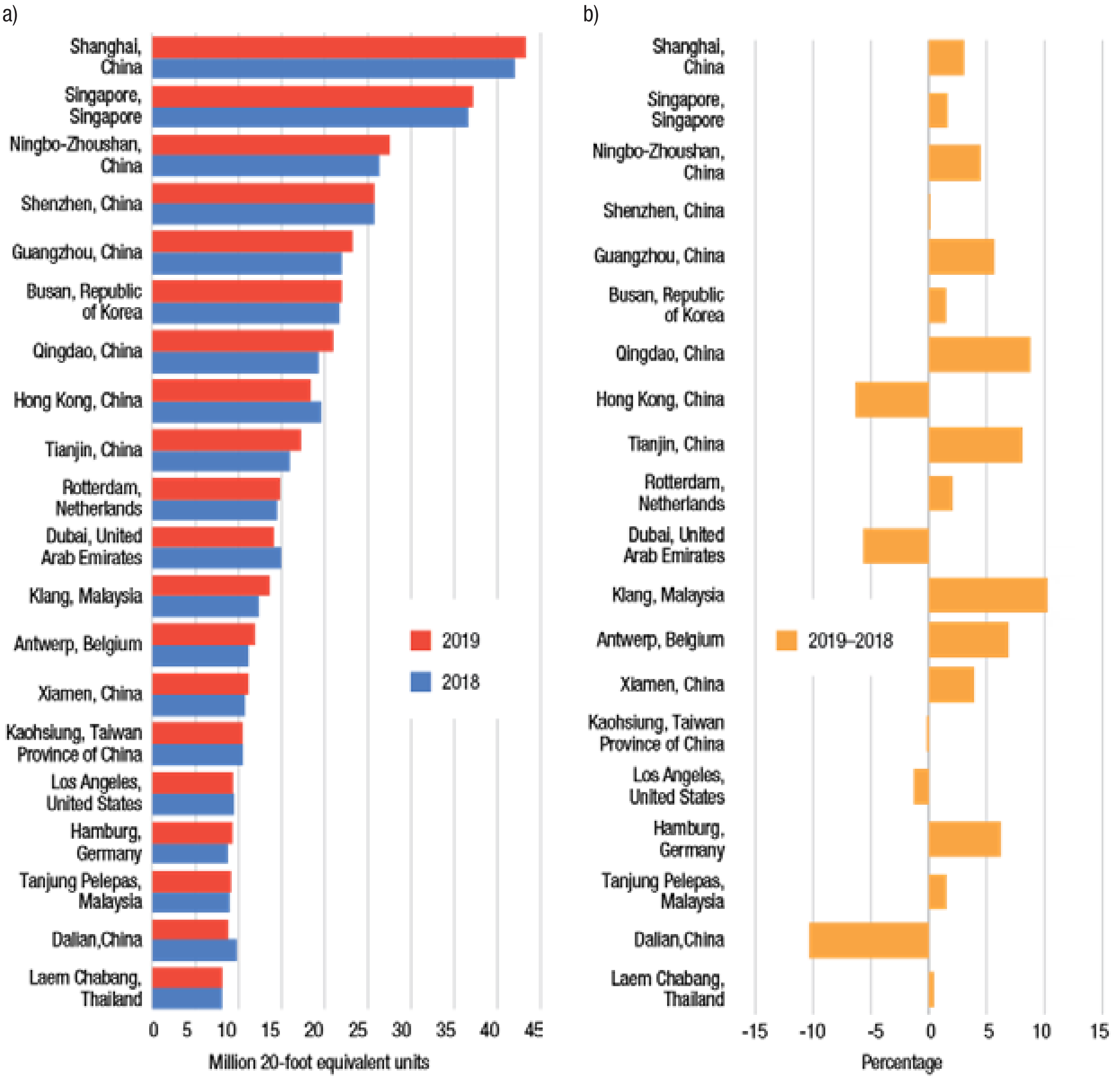
In South-East Asia, the port of Klang, Malaysia continued to capture more trans-shipment market share. However, this was not sufficient to recover the entire volumes that had been moving to Singapore for some time. Cargo handled by the port of Tanjung Pelepas, Malaysia increased by 1.55 per cent, while growth in Singapore remained at 1.63 per cent.

European ports recorded less volume growth, reflecting the persistent weakness that had plagued the manufacturing sector and importers drawing from stocks and inventories. Rotterdam, the Netherlands expanded volumes by 2.1 per cent compared with 2018, while Antwerp, Belgium achieved 6.8 per cent growth. The move of THE Alliance's Atlantic services in Germany from Bremerhaven to Hamburg, is reflected in the 2019 throughput of these ports. Hamburg recorded an increase of 6.1 per cent in volumes handled, supported by the addition of new connections to Baltic services, while Bremerhaven recorded a decline in volumes (Drewry, 2020b).

Container port throughput at North American ports moderated in 2019. West coast ports performed poorly, compared with the east coast and the coast of the Gulf of Mexico. Ports on the United States west coast lost market share in the combined import-export market. While the trend accelerated with the trade tensions, there was already a tendency for cargo to move away from the west coast of North America. In 2019, the share of the ports of Los Angeles and Long Beach, United States dropped to 22.9 per cent, down from 26.5 per cent in 2015. Cargo migration has also had an impact on the west coast ports of Canada and Mexico, in particular, the ports of Vancouver, Lázaro Cárdenas and Manzanillo, which also lost some market share.

In the United States, exporters looked for other export markets to avoid the increased reciprocal tariffs imposed by China (JOC.com, 2020b). As previously noted, trade tensions required shippers to find alternative markets and source imports from locations outside China, such as South-East Asia. Thailand and Viet Nam benefited from the change in trade patterns and routing, while the market share of China shrank. Ports on the Atlantic and Gulf coasts are better positioned to handle shipments arriving from other parts of Asia. The performance of the ports of Houston and Savannah, United States, for example, whose market share increased, is a case in point.

Figure 1.11 **Leading 20 global container ports, 2018–2019**
in (a) million 20-foot equivalent units and (b) annual percentage change



Sources: UNCTAD calculations, based on Lloyd's List, 2020a, *One Hundred Ports*.

Challenging economic trends in Argentina, recession in Brazil and social unrest in Chile constrained cargo volumes in ports of Latin America and the Caribbean. However, some ports such as Freeport in the Bahamas; Itajaí, Sao Francisco do Sul and Paranaguá in Brazil; and two Panama Pacific terminals recorded positive growth. In Western Asia, container port volumes continued to be affected by sanctions and political tensions. In 2019, the gradual recovery of the economies of Saudi Arabia and the United Arab Emirates provided some support to port-handling activity, while in the Islamic Republic of Iran, volumes in Bandar Abbas decreased. In the United Arab Emirates, Khalifa port activity rose, as both the China Ocean Shipping Company (COSCO) and the Mediterranean Shipping Company moved more business over to their respective terminals, away from Jebel Ali (Drewry, 2020b).

Growth in container activity in South Asia stalled in 2019, reflecting slower economic growth in India and austerity measures in Pakistan. While the ports of Jawaharlal Nehru and Mundra reported some growth, Chennai port continued to lose traffic to newer east coast ports such as Kattupalli. Other Indian ports such as Visakhapatnam and Krishnapatnam are benefiting from increased trans-shipment and coastal traffic generated by a relaxation of the country's cabotage rules. In Sri Lanka, subdued growth in Colombo reflected a declining trend in gateway traffic and some erosion in trans-shipment cargo because of the amended cabotage rules in India. In Africa, a weakening in the economies of Nigeria and South Africa constrained container port volume growth. In Oceania, container port activity declined by 2.2 per cent as the economy of Australia slowed down and consumer confidence fell (Drewry, 2019).

8. Adapting port strategies and seeking new opportunities

Today, ports are showing more interest in strengthening connections with the hinterland to get closer to the shippers and tap the cargo volumes that could be committed. Providing intermodal access, warehousing and other logistics services illustrates the type of actions that may help ports capture local market volumes. For example, the port of Savannah, United States has, for three decades, been a pioneer in driving port centric logistics and is growing as a hub for retail import distribution. In the Republic of Korea, the port of Busan is investing in port-distribution centres ("distriparks") to strengthen its position as a regional logistics centre. In Egypt, the port of Damietta is focusing more and more on its gateway market as opposed to the trans-shipment business. This is illustrated by the development of recent dry port and rail connection projects (Drewry, 2019). This change in strategy, as well as a gradual shift towards further mergers and acquisitions, as opposed to the development of new projects, reflects the uncertainty surrounding the outlook for port growth and the need to diversify business strategies and respond to the evolving landscape (Drewry, 2020b). For example, China Merchants Port Holdings concluded an agreement with CMA CGM to transfer 10 terminal assets to Terminal Link.

The South Asian company Adani acquired 75 per cent of shares in Krishnapatnam Port Company in India. With regard to future developments, ports will need to expand environmental facilities in line with the accelerated environmental sustainability agenda. Similarly to ports, shipping companies such as Maersk, for example, are also showing increasing interest in integrating their services with ports and inland logistics (The Loadstar, 2019).

9. Challenges ahead for the sector with the onset of the pandemic

All in all, 2019 was a weak year for shipping and maritime trade. On the upside, a hard Brexit was avoided or delayed, as it remains to be seen how the new trade relations between the European Union and the United Kingdom will evolve. There was also an apparent easing in the trade tensions between China and the United States that may be associated with the first phase of a trade agreement between the two countries signed in January 2020.

Initial expectations were that a moderate improvement in global economic conditions would occur in 2020. However, the unprecedented global health and economic crisis triggered by the COVID-19 pandemic in early 2020 undermined the growth prospects for maritime transport and trade. A black swan event that is extremely rare and unpredictable, with potentially severe consequences (Drewry, 2020c), the pandemic and its global fallout transformed the world. While making a precise assessment of the immediate impacts and longer-term implications is a challenging task, there is no doubt, however, that the outlook has significantly deteriorated and has become more uncertain.