

GLOBAL SHIPPING CRISIS – ESCALATING HOUTHI ATTACKS AT VITAL CHOKEPOINTS

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The global shipping industry is in crisis due to a surge in attacks on vessels in the Red Sea by the Houthi rebels in Yemen, which have increased both in frequency and intensity in recent weeks. These attacks have raised concerns about the safety of mercantile trade over one of the most vital maritime trade routes in the world that connects the Mediterranean Sea and the Red Sea with the Arabian Sea, with approximately 17,000^[1] annual ship passages. Some shipping companies are already re-routing ships around the Cape of Good Hope, resulting in an escalation in time and cost of shipping. These attacks on vessels unrelated to Israel also highlight the indiscriminate nature of the threat. The urgency lies in concerted efforts to curb Houthi's actions and protect seafarers and merchant vessels. A comprehensive international response is crucial to address escalating challenges faced by the global shipping industry.

Overview of the Recent Attacks

The attacks are primarily orchestrated by the Houthi rebels in Yemen, a group entangled in the ongoing civil war in the country, in response to Israel's action in Gaza, triggered by Hamas attack on Israel.² The escalation began with the hijacking of a Bahamian-flagged ship MV *Galaxy Leader* ^[3] on November 19, 2023, a vessel currently held captive by Yemen. Subsequent attacks targeted multiple ships on December 4, prompting defensive measures by the USS *Carney*, an American destroyer. On December 9, the Houthis declared all ships heading to Israel as legitimate targets, leading to a series of attacks on several vessels - Norwegian-flagged Tanker MT *Strinda* on December 11, Irish chemical tanker *Ardmore Encounter* on December 13, and Hongkong-flagged *Maersk Gibraltar* (IMO:9739692), on December 14. The situation worsened on December 15, witnessing attacks on three vessels: Hapag-Lloyd's 15,000 TEU *Al-Jasrah* (IMO:9732321), 2500 TEU *MSC Palatium III* (IMO:9336165), and Maersk-owned 6000 TEU *Columbine Maersk* (IMO: 9245768) ^[4]. Additionally, a Bulgarian-owned bulk carrier was seized in the Gulf of Aden, indicating an alarming escalation in the scope and scale of these maritime

¹ Mike Schuler, "Naval Coalition Celebrates One Year Protecting Shipping in Strait of Hormuz and Bab El-Mandeb Strait," November 2020. <https://gcaptain.com/naval-coalition-celebrates-one-year-protecting-shipping-in-strait-of-hormuz-and-bab-el-mandeb-strait/>.

² BBC, 23 December 2023, [Who are the Houthi rebels and why are they attacking Red Sea ships? - BBC News](https://www.bbc.com/news/world-middle-east-67444444)

³ Botti, Christiaan Triebert & David, "Satellite Imagery Shows Ship Hijacked by Houthis Near Yemen Port", *New York Times*, 2023. <https://www.nytimes.com/2023/11/21/world/middleeast/houthi-hijack-ship-galaxy-leader.html>.

⁴ James Baker, "Updated: Maersk and Hapag-Lloyd Halt Red Sea Passages." *Lloyd's List*, 2023. <https://www.lloydslist.com/LL1147624/Updated-Maersk-and-Hapag-Lloyd-halt-Red-Sea-passages>.

threats. Recently, there has been another hijacking incident involving a Malta-flagged Tanker MV *Ruen*^[5], which is currently on course to the Somalian Coast.

These attacks have drawn the attention of organisations such as the International Chamber of Shipping (ICS)^[6], especially in the wake of the seizure of the *Galaxy Leader*. In a statement issued on December 15, 2023, the ICS strongly condemned the Houthi attacks, characterising them as unacceptable acts of aggression that jeopardize the lives of innocent seafarers and the safety of merchant shipping. While emphasizing the immediate cessation of these attacks, the ICS underscored the flagrant breach of international law and urged states with influence in the region to intervene urgently and de-escalate the increasingly severe threat.

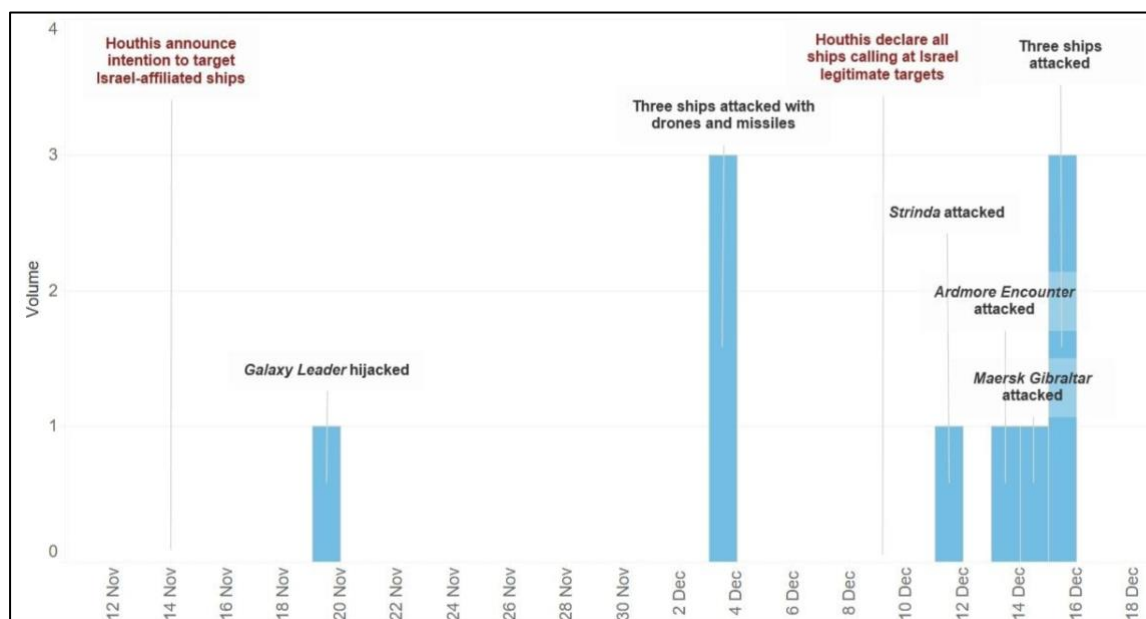


Figure 1: Timeline of attacks on Commercial Shipping in the Red Sea^[7].

⁵ “Navy: Warship INS Kochi Constantly Monitoring Hijacked Malta Vessel.” *Times of India*, 2023. <https://timesofindia.indiatimes.com/india/navy-warship-ins-kochi-constantly-monitoring-hijacked-malta-vessel/articleshow/106069967.cms?from=mdr>.

⁶ “International Chamber of Shipping Statement on the Red Sea Ship Attacks.” *International Chamber of Shipping*, 2023. <https://www.ics-shipping.org/statement/international-chamber-of-shipping-statement-on-the-red-sea-ship-attacks/>.

⁷ James Baker, “Updated: Maersk and Hapag-Lloyd Halt Red Sea Passages” *Lloyd’s List*, 2023. <https://www.lloydslist.com/LL1147624/Updated-Maersk-and-Hapag-Lloyd-halt-Red-Sea-passages>.



Figure 2: Location of Major attacks (Source?)

Global Shipping Implications & Economic Ramifications

The impact of these attacks extends beyond the immediate region, as the Red Sea is a crucial passageway linking Europe and Asia. Approximately 12 per cent ^[8] of global trade traverses the Red Sea, emphasizing its strategic importance. The attacks initially prompted several major European shipping lines like *MSC* (Switzerland), *Hapag-Lloyd* (Germany), and *Maersk* (Denmark) to suspend their shipments ^[9] through the Red Sea. However, another European giant *CMA CGM* (France) has also announced the suspension ^[10] of their Red Sea operations. Together these companies represent approximately 54 per cent ^[11] of the global vessel market (Figure 3).

⁸ Alex Longley and Aine Quinn, “Chunk of Global Trade Menaced by Attacks on Red Sea Shipping”, *Bloomberg*, 2023. <https://www.bloomberg.com/news/articles/2023-12-06/chunk-of-global-trade-menaced-by-attacks-on-red-sea-shipping>.

⁹ Aghogho Udi, “Around 10% of Global Trade Is Threatened as Maersk and Others Pause Shipments via Red Sea”, *Nairametrics*, 2023. <https://nairametrics.com/2023/12/17/around-10-of-global-trade-is-threatened-as-maersk-and-others-pause-shipments-via-the-red-sea/>.

¹⁰ “Shipping Firms *MSC* and *CMA CGM* Are Latest to Suspend Passage through Red Sea.”, *Times of Israel*, 2023. <https://www.timesofisrael.com/shipping-firms-msc-and-cma-cgm-are-latest-to-suspend-passage-through-red-sea/>.

¹¹ Alphaliner, “Alphaliner Top 100,” 2023. <https://alphaliner.axsmarine.com/PublicTop100/>

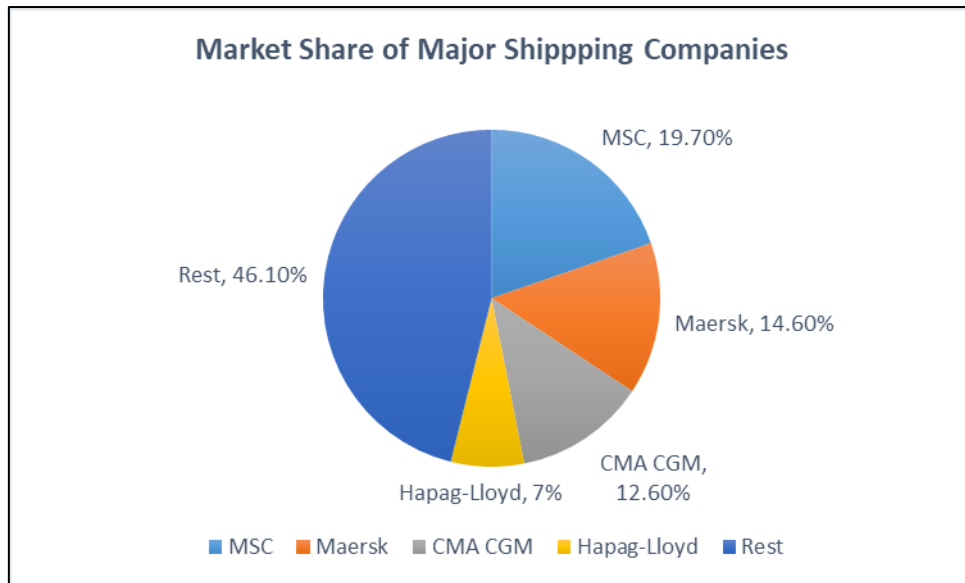


Figure 3: Market share of major Shipping companies^[12]

They have rerouted vessels^[13] to circumnavigate the Cape of Good Hope increasing the voyage distance by about 40 per cent^[14]. It is anticipated that this increased voyage would hike the container charges by \$500-1000^[15] per container. This has the potential to choke the global supply chains and hike the prices of export-import goods, trigger further inflation, and increase the Current Account Deficit (CAD) of nations that are already grappling with post-COVID recovery and the Russia-Ukraine situation.

War risk insurance, which is crucial for vessels sailing through high-risk areas, has substantially increased. There are growing concerns in the maritime industry regarding the increase in war risk insurance related to shipping in certain areas, particularly in the Red Sea. Initially, the war risk premium was around 0.07% of the total shipping value, but it had gradually escalated to almost 0.1%^[16] by the second week of December 2023. While this may not seem like a substantial amount in the context of overall shipping value, the rising frequency of attacks and their indiscriminate nature suggests that these costs could continue to rise.

The Red Sea is a critical waterway connecting Europe and Asia. With low water levels affecting the Panama Canal^[17] and reducing its capacity, some shipping companies have re-routed their vessels through the Suez Canal to reach ports in Europe before heading to the East Coast and

¹² Alphaliner, "Alphaliner Top 100," 2023. <https://alphaliner.axsmarine.com/PublicTop100/>

¹³ Mike Wackett, "Route Diversions: Ship Captains' Don't Know Whether They're Coming or Going", The Load Star, Accessed December 23, 2023. <https://theloadstar.com/route-diversions-ship-captains-dont-know-whether-theyre-coming-or-going/>.

¹⁴ S&P, "Global Trade at Risk as Shippers Shun Red Sea over Houthi Attacks", *S&P Global*, accessed, December 2023, 1BC. <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/shipping/121523-global-trade-at-risk-as-shippers-shun-red-sea-over-houthis-attacks>.

¹⁵ "Houthi Threat Leads to Prolonged Shipping Journeys and Hiked up Prices on Imported Goods" *Calacatist*, Accessed 17 December 2023. <https://www.calcalistech.com/ctechnews/article/bkscosoit>.

¹⁶ Jonathan Saul, "Red Sea Shipping Costs Rising after Houthis Target More Commercial Ships", *Reuters*, 2023. <https://www.reuters.com/world/middle-east/red-sea-shipping-costs-rising-after-houthis-target-more-commercial-vessels-2023-12-12/>.

¹⁷ Elida Moreno, "Panama Canal Water Levels at Historic Lows, Restrictions to Remain" *Reuters*, 06 September 2023. <https://www.reuters.com/world/americas/panama-canal-water-levels-historic-lows-restrictions-remain-2023-09-06/>.

Gulf Coast of the United States. This redirection of shipping traffic through the Suez Canal contributes to an increased risk due to these attacks and could further complicate the situation. In the event of the Suez Canal closure^[18] or increased risks in the Red Sea, the real concern is the economic impact due to the loss of a significant number of runs, leading to increased freight rates.

International Response and Naval Involvement

In 2022, the United States Navy, specifically the 5th Fleet under Central Command in Bahrain, established Combined Task Force 153 (CTF) for Red Sea Maritime Security.^[19] This move mirrored the creation of combined task forces for patrolling the Strait of Hormuz to combat piracy off the coast of Somalia. The US Navy has already made considerable efforts amidst these crises. USS *Carney* intercepted about fourteen one-way Houthi attack drones^[20] along with USS *Mason* and USS *Thomas Hudner* (DDG-116)^[21]. Reports^[22] highlight the deployment of three more *Arleigh Burke* destroyers from the US Navy's 6th Fleet, specifically USS *Laboon* (DDG-58), USS *Delbert D Black* (DDG-119), and USS *The Sullivans* (DDG-68) between December 11 and 17, 2023. Further, the *Gerald R Ford* and *Eisenhower* Carrier Strike Groups^{[23][24]} are moving into this area to provide additional assets. As per recent reports^[25] United States Navy has commenced Operation PROSPERITY GUARDIAN to address the situation.

However, an over-reliance on the US Navy may not present the most optimal solution. While the United States Navy is primarily responsible for escorting US-flagged vessels, a complex challenge emerges due to a multitude of ships navigating these waters under flags of convenience from nations such as Panama, Liberia, and the Marshall Islands. These countries lack substantial Naval forces capable of providing adequate security cover for vessels sailing under their flags, thereby exacerbating an already grave maritime security scenario.

The most affected and impactful players in this scenario are Europe and Asia. Since the trade route is predominantly used between these two regions, European and Asian powers should play a significant role. Recent indications suggest that Japan is dispatching a larger task force to the region. China already has a presence, albeit not extensively demonstrated. Apart from the US Navy, the British are also getting involved with their Type 45 Destroyer HMS *Diamond*^[26], closely

¹⁸ Grey Dixon, "What If the Suez Canal Closed?" *Trade winds*, 2023. <https://www.tradewindsnews.com/tankers/what-if-the-suez-canal-closed-owners-would-make-more-money-fearnley-says/2-1-1571251>.

¹⁹ US Navy, "CTF 153 : Red Sea Maritime Security," 2022. <https://combinedmaritimeforces.com/ctf-153-red-sea-maritime-security/>.

²⁰ Paul Mcleary, "Houthis Launch More Attacks in Red Sea as US Warships Head to Region." *Politico*, 2023. <https://www.politico.com/news/2023/12/16/houthi-attacks-red-sea-u-s-warships-00132146>.

²¹ Mallory Shelbourne, "USS Thomas Hudner Repels Drone Launched from Yemen.", USNI News, 2023. <https://news.usni.org/2023/11/15/uss-thomas-hudner-repels-drone-launched-from-yemen>.

²² Paul Mcleary, "Houthis Launch More Attacks in Red Sea as US Warships Head to Region." *Politico*, 2023. <https://www.politico.com/news/2023/12/16/houthi-attacks-red-sea-u-s-warships-00132146>.

²³ Lara Seligman and Alander, "US Weighs Strike Options to Deter Houthis from More Red Sea Attacks", *Politico*, 2023. <https://www.politico.com/news/2023/12/16/us-strike-options-houthi-red-sea-00132160>.

²⁴ Mallory Shelbourne, "USS Thomas Hudner Repels Drone Launched from Yemen.", USNI News, 2023. <https://news.usni.org/2023/11/15/uss-thomas-hudner-repels-drone-launched-from-yemen>.

²⁵ John Konrad, "Pentagon To Launch 'Operation Prosperity Guardian' To Reopen Red Sea Passage." *gCaptain*, 2023. <https://gcaptain.com/pentagon-to-launch-operation-prosperity-guardian-to-reopen-red-sea-passage/>.

²⁶ HMS *Diamond* Sent to the Gulf in Response to Rising Tension in the Middle East", *Lookout*, n.d. <https://www.navylookout.com/hms-diamond-sent-to-the-gulf-in-response-to-rising-tension-in-the-middle-east/>.

followed by the French Navy. The pressing question is what comes next. Effectively addressing this issue involves more than safeguarding ships; it requires dealing with the Houthi forces on land, targeting their launchers, a move that might escalate into a ground war in the Arabian Peninsula. The core issue is that innocent ships and their crews are being targeted, leading to destabilization in the region. This poses a global economic threat, as shipping is integral to international trade. It is essential to recognize that if this region becomes too hazardous, shipping routes may shift around Africa, causing a ripple effect on the global economy. An international response is imperative to deal with the Houthi threat, as they have effectively declared war on international shipping.

Uncharted Territory Ahead

As the maritime community grapples with these unprecedented challenges, the unpredictability of the situation raises concerns about the potential closure of critical waterways. If in a hypothetical scenario, international seaborne trade through the *Bab el-Mandeb* or the Red Sea becomes untenable, the shipping industry would witness increased diversions and longer voyages, impacting both time and costs. The escalating threats to global shipping demand a coordinated international response to safeguard the vital trade routes in the region. The consequences of inaction would extend beyond the maritime industry, affecting economies worldwide.

Disclaimer: Views expressed are of the authors and do not necessarily reflect the views of Govt of India.

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