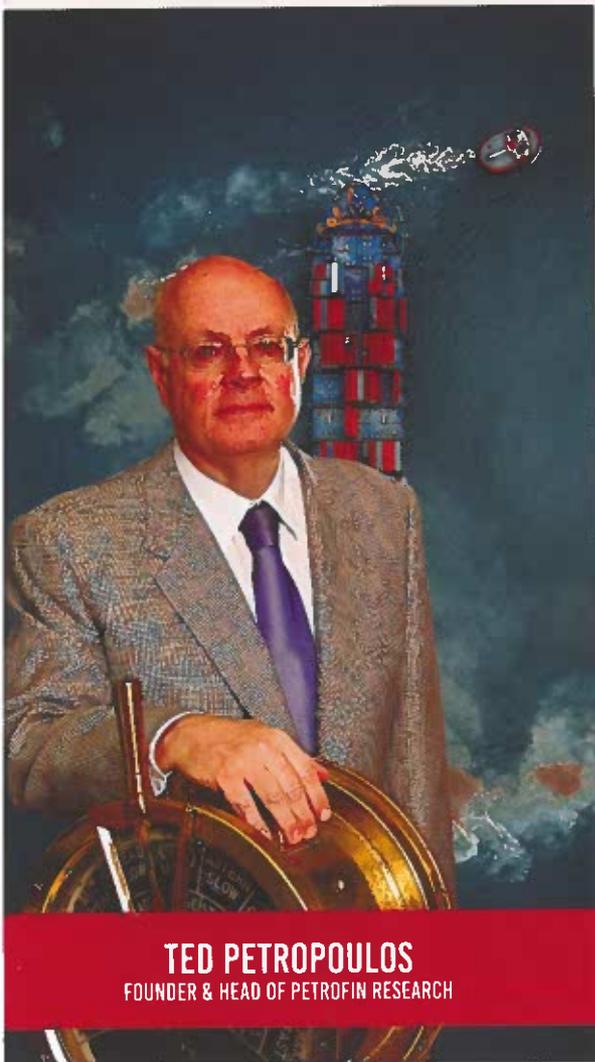


## MARITIME PERSONALITIES

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ADAPTING TO CHANGE:  
STRATEGIES FOR MITIGATING SHIPPING DISRUPTIONS

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**T**he disruptions to all industries, including shipping, came after a prolonged period of globalization whereby there was a largely uninterrupted and timely movement of goods across the world. This suited well many firms producing parts in various countries that would be utilized in other regions or factory plants. As there was a supply side reliability, stock levels were reduced to a minimum and the “just in time” approach was adopted for parts and inventories.

The above efficient system has been seriously affected by the imposition of sanctions, tariffs, discriminatory regulations, war conditions and war insurance costs, trade route restrictions, canal closures, port congestion, port restrictions, piracy and other. Some of the above are natural occurrences whilst most are specific actions by states and regulatory authorities. Stakeholders that have been affected were put in a position to find ways to mitigate the above disruptive effects.

For example, sanctions have elicited sanction busting responses and the creation of a shadow fleet off the grid. Sanctions enforcement is now being pursued more vigorously but it is unlikely that it will impact trade between sanction busting countries. Trade route disruptions due to piracy/war/conflict have caused an increase of ton miles and higher costs. Action is being taken to reduce such risks by either international action or, in the case of the Houthis’ direct bombing, implementation of naval protection for the affected vessels. However, once again disruptions persist with little prospects of a near term resolution.

The imposition of tariffs has grown in the last decade with current prospects being for more and not reduced tariffs. Once imposed, such tariffs are rarely withdrawn.

Rising geopolitical issues and the erosion of the world order have further affected free trade flows.

As the solution or mitigation to the above problems lies primarily with states and not the industry’s stakeholders, the industry needs to adapt to the new trading conditions.

One method to be adopted is the increase of plant inventories which would allow for delivery delays to a greater extent but at an increased cost. Another solution would be to develop strategically located inventory warehouses to support plants in various countries in the catchment area of such inventory centers.

There has been an increasing call to build industrial capacity in the home country but this may often involve higher production costs and time delays. However, such home countries are increasing incentives for such new plants or relocation of foreign plants.

Another method is to develop homogeneous product parts and product ranges that can be used in different plants across the globe and to develop homogeneous product designs. For example, in addition to competing with Chinese car manufacturers, one of the factors behind the merger of Nissan, Honda and Mitsubishi, recently announced, is the development of parts to be used across all three brands in product designs.

For broader trade, mutual trade promotion and tariff reduction agreements between countries or economic areas (e.g., EU, UK, Australia, BRICs, Japan, Korea) can be beneficial.

The combined effects of all the supply chain disruptive factors decrease efficiency and increase costs and it is in the interests of global growth that they should be reduced. As political trends currently hinder the resumption of tariff cuts and easing of sanctions, the above would provide some room for the industry to mitigate the associated risks. ■