



Growth exceptionalism

By Mark Szakonyi

US tariffs aren't yet showing signs of hurting overall global container volumes.

President Donald Trump's tariff onslaught has, arguably, forever shifted US import flows away from China after a six-month rollercoaster of ever-changing amounts and deadlines. But US tariffs, while denting shipments from China, aren't yet showing signs of hurting overall global container volumes.

"The rest of the world trucks along just nicely," said Lars Jensen, a maritime analyst and *Journal of Commerce* contributor. "It's a little bit volatile. It's a bit up and down, but basically throughout the year, you've seen global growth in container volumes around 6%, which is twice what you expect given global development.

"So the rest of the world is doing just fine, more or less unperturbed by the US trade war," Jensen added. "It's the US that's suffering from this, not everybody else."

US laden imports between April, when sweeping tariffs were imposed on all trade partners, and September are virtually flat compared to a year ago, according to PIERs, a sister company of the *Journal of Commerce* within S&P Global. US laden exports in the five months ending August, the most recent data available, are flat as well. Global container volumes, including empties, rose 4.1% in that same period, according to data from Container Trade Statistics.

But the extent to which US tariffs on China imports — up to 130% as of Oct. 22 — have upended the trans-Pacific is clear. Imports from China for April through September fell to levels not seen since 2013. US imports from China were down 15% from a year ago, equating to 875,000 fewer TEUs.

Looking at it another way, one-third of laden, ocean-going imports that came into the US during the six-month period originated from China. Last year, four out of 10 laden containers entering US seaports came from China.

Some of those volumes from China were lost due to Canadian importers diverting goods away from US ports in favor of domestic ports to avoid paying tariffs. Other shipments, as tracked by PIERs, originated from China and were illegally declared differently.

Vietnam, facing a US tariff rate of 20%, has been the biggest benefactor from tariffs on China. US laden imports from Vietnam jumped nearly 26% in the six-month period and volumes accounted for 16.8% of all inbound traffic into the US. India, Thailand, Indonesia,

Malaysia and Cambodia all gained from the higher US tariffs on China. And while each still accounted for less than 1% of total US laden imports, Columbia, Ecuador, and Guatemala were leaned on more by US importers.

Notably, the US tariffs on imports from the European Union haven't stopped import growth, with laden volumes expanding 4.9% between April and September.

Despite high US tariffs on its exports, China's factory production hasn't slowed yet, with activity in September rising at its fastest pace since March, according to the Rating-Dog China General Manufacturing Purchasing Managers Index, which is compiled by S&P Global. Chinese exporters have found buyers for their wares, contributing to port congestion in Europe and increasingly feeding factories in Mexico.

With record profits from the pandemic and a scale-up of ship deliveries, container lines are following the growth, deploying tonnage and investing in marine terminals that strengthen so-called secondary trades.

Evergreen Line, for example, in its five-year plan released in September, said it would focus on expanding service to Latin America and the Middle East. The carrier plans to increase the number of vessels deployed on the Asia-Latin America trade and deploy 12,000-TEU ships on the Asia-West Coast of South America trades. Evergreen also plans to add capacity between Europe and Mexico, and from Asia to the Caribbean.

Still, container lines, importantly, aren't abandoning the US market, even if it comes at a higher cost than other markets thanks to elevated labor costs and the inability to impose terminal handling charges on cargo owners and consignees.

"If you look at the United States, the market is not going anywhere. This is an extremely strategic market for our group, and we will continue to invest here," Adeline Chouraqui, CEO and president at CMA CGM Americas, said Oct. 16 at the Virginia Maritime Association's International Trade Forum. CMA CGM in March committed to investing \$20 billion in the US over the next five years.

"It's a continuation of what we've always done, but changes in flows do bring opportunities for investment," she said.

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