



RED SEA TRADE: NAVIGATING THE CURRENTS OF COMMERCE

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Abstract of the Paper:The Red Sea, a historically vital maritime route connecting continents, faces multifaceted challenges impacting global trade and commerce. This analysis explores its historical significance, major players like Egypt, Saudi Arabia, and Israel, and the economic implications for regional economies. Geopolitical tensions, environmental threats, piracy, and the aftermath of incidents like the Suez Canal blockage contribute to a complex operating environment. Rising costs, supply chain disruptions, and security concerns affect global trade dynamics. The conclusion emphasizes the need for strategic planning, cooperation, and sustainable practices to ensure the Red Sea's continued role as a crucial artery of international trade and commerce.

Introduction:

The Red Sea has long served as a pivotal nexus of global trade, linking continents and civilizations through its strategic maritime routes. However, contemporary challenges such as geopolitical tensions, environmental degradation, and security threats have cast a shadow over this vital waterway, significantly impacting trade and logistics. This analysis delves into the current state of affairs in the Red Sea region, examining its historical significance, major players, and the intricate dynamics shaping global supply chains. By exploring the implications of these challenges on trade routes and economic activities, we seek to understand the complexities facing this critical corridor of international commerce. The Red Sea, a vital waterway connecting the Mediterranean Sea to the Indian Ocean, has historically

played a crucial role in global trade and commerce. However, recent geopolitical developments and environmental challenges have cast a shadow over the region, impacting trade and logistics in significant ways. In this blog, we will delve into the current situation in the Red Sea area and explore how these factors are affecting the flow of goods and the intricate web of global supply chain. Several countries utilize the Red Sea and its associated channels, such as the Suez Canal, to manage their supply chains. The exact number of countries depends on various factors including their trade routes, economic activities, and geopolitical relationships.

Major players that rely on the Red Sea for their supply chain management include:

1. Egypt: Egypt controls the Suez Canal, a vital waterway connecting the Mediterranean Sea to the Red Sea, and thus plays a significant role in managing global trade routes.
2. Saudi Arabia: Located on the eastern coast of the Red Sea, Saudi Arabia uses maritime routes through the Red Sea for its trade, especially for its oil exports and imports of goods.
3. Israel: With access to the Gulf of Aqaba, Israel utilizes the Red Sea for its maritime trade, connecting to both European and Asian markets.
4. Jordan: Jordan's port of Aqaba provides access to the Red Sea, offering the country strategic trade routes and connections to global markets.
5. Yemen: Despite facing challenges due to conflicts and instability, Yemen has historically used the Red Sea for trade, primarily through its port cities such as Aden.
6. Sudan: Sudan has a coastline along the Red Sea and utilizes its ports for trade and economic activities.
7. Eritrea: Eritrea, situated on the northeastern coast of Africa along the Red Sea, has ports such as Massawa that are important for its trade.
8. Djibouti: Djibouti is strategically located at the southern entrance to the Red Sea and hosts several international military bases and ports, making it a key player in regional trade and logistics.
9. Ethiopia: Although Ethiopia is a landlocked country, it relies on ports in neighboring countries along the Red Sea, such as Djibouti and sometimes Sudan, for its import and export activities.

These are just some examples, and there may be other countries indirectly impacted by the trade routes through the Red Sea due to their economic relationships and dependencies.



Research Through Journals

History of trade in the Red Sea:

The earliest known exploration of the Red Sea was conducted by ancient Egyptians, as they attempted to establish commercial routes to Punt. One such expedition took place around 2500 BC, and another around 1500 BC (by Hatshepsut). Both involved long voyages down the Red Sea. In the 6th century BC, Darius the Great, who was a prominent ruler of the Achaemenid Empire in Persia, undertook significant efforts to improve and extend navigation in the Red Sea. He sent reconnaissance missions to explore the Red Sea area and to identify its various navigational hazards, such as rocks and currents. This effort was significant, as it contributed to safer and more efficient navigation routes. He also built a canal from Nile to

the Red Sea at Suez it is often referred to as the ancient Suez Canal. The volume of commerce passing through the Red Sea has generally increased over the years due to factors such as globalization, trade liberalization, and the expansion of international trade. The opening of the Suez Canal in 1869 significantly boosted maritime trade through the Red Sea, as it provided a much shorter route between Europe and Asia compared to the alternative route around the southern tip of Africa. Since then, various developments in shipping technology, infrastructure, and trade agreements have further facilitated the movement of goods through the Red Sea region.

Geopolitical Tensions:

The Red Sea region has become a hotspot for geopolitical tensions, with various nations vying for influence and control. Ongoing conflicts in Yemen, the Horn of Africa, and the broader Middle East have heightened security concerns, leading to increased military presence and the establishment of naval bases. These tensions pose a threat to the smooth passage of vessels and have raised insurance costs for shipping companies, contributing to the overall volatility in the area. In my opinion this really deteriorates the safety of the cargo and also its quality. If this keeps on happening then one by one all global corporations might withdraw trade vessels from this route. Which would in turn affect the economies of the neighboring countries.

Suez Canal Blockage Aftermath:

The world recently witnessed the repercussions of a disrupted trade route when the Ever Given container ship blocked the Suez Canal, a crucial artery for global maritime trade. While the Suez Canal is not part of the Red Sea itself, its impact reverberated throughout the region. The incident highlighted the vulnerability of relying on a single route and prompted a reassessment of logistics and contingency planning for businesses and governments alike. According to me measures should be taken to avoid such problems as it leads to massive losses for the companies involved and also the companies using the route.





Environmental Challenges:

The Red Sea faces environmental challenges, including coral bleaching, overfishing, and pollution. Rising sea temperatures due to climate change are affecting marine ecosystems, threatening biodiversity, and impacting fish stocks. These environmental concerns not only pose risks to the region's delicate ecosystem but also affect the livelihoods of local communities dependent on fishing and related industries. This does not affect trade however mass movement by activists might stop large container ships from moving across. More recently, drought has reduced water flows in the Panama Canal, severing limiting shipping and raising costs. Last summer and fall, droughts affected water flows in the Rhine and Mississippi Rivers, adversely affecting shipping on major inland waterways.

Piracy and Maritime Security:

Piracy remains a persistent issue in the Red Sea, particularly off the coast of Somalia. While international efforts have helped reduce piracy incidents in recent years, the threat lingers. Vessels passing through the region must navigate carefully to mitigate the risk of piracy, adding both time and cost to maritime logistics. Ensuring maritime security is paramount for the stability of trade routes in the Red Sea. From a consumer point of view (me) these attacks are creating and levying immense costs that are a heavy burden on Governments, the Shipping Industry and World Trade, which consequently, are also levied onto the markets consumers causing the prices to hike and cause inflation or deflation. The recent attacks of Yemen-based Houthi rebels on ships in the Red Sea have paralyzed shipping through the Suez Canal, forcing exporters in the Black Sea region and elsewhere to consider alternative

— and more costly — shipping routes. In early January, A.P. Moller-Maersk A/S, the world's second-largest container ship company, announced it would suspend shipments through the Red Sea. Trade volumes in the Suez Canal are down an estimated 40% since the attacks began.



Impact on Global Trade and Logistics:

The challenges in the Red Sea region have rippling effects on global trade and logistics. Increased risks, longer transit times, and rising costs due to security measures and insurance premiums all contribute to a complex and uncertain operating environment for businesses engaged in international trade. Supply chain disruptions reverberate across industries, affecting the availability and pricing of goods on a global scale. Expense increases for transportation have a number of negative economic effects. They result in lower pricing for producers in exporting nations by increasing consumer expenses and decreasing demand. Additionally, because it costs more to import products during periods of high price volatility or to export goods during periods of low price volatility, they reduce trade volumes. In order to achieve lower pricing, importers may seek alternative suppliers, thereby undermining the competitiveness of providers that depend on disrupted trade lines. Over the last four years, transportation costs have already shown significant volatility. During the first year of the COVID-19 epidemic, they fell initially, but as the world economy recovered, demand increased and energy prices rose. This is when they started to rise. Transportation expenses increased further as commerce surged, leading to a lack of cargo vessels and congestion at major maritime ports. According to the International Grain Council's Grain and Oilseed Freight Index, the cost of carrying grains and oilseeds increased by more than 250% between May 2020 and October 2021. The increasing trend then turned around. Shipping expenses

decreased along with bunker oil prices for the majority of the second and first halves of 2022 and 2023. Although prices have increased during the last six months, they still remain significantly below their peaks in late 2021 and early 2022.

Conclusion:

The Red Sea, once a gateway for prosperity and exchange, now stands at a crossroads, grappling with geopolitical tensions, environmental threats, and security challenges. As stakeholders in global trade navigate these turbulent waters, strategic planning, cooperation, and sustainable practices become imperative. Governments, businesses, and international organizations must work collaboratively to address the issues at hand, ensuring the continued vitality of this critical maritime corridor and the stability of global supply chains. All these problems in the end affect the consumers that is us of most people. Governments should work together and create trade unions to solve such problems while accounting all opinions, facts and point of views. The point wise conclusion is as follows:-

1. **Historical Significance:** The Red Sea has served as a vital maritime route for trade and commerce for centuries, connecting civilizations and facilitating the exchange of goods, ideas, and cultures.
2. **Strategic Importance:** Its strategic location between Africa, Asia, and Europe has made the Red Sea a crucial conduit for global trade, offering shorter and more efficient shipping routes for goods traveling between the East and the West.
3. **Economic Impact:** The volume of commerce flowing through the Red Sea continues to grow, bolstering the economies of countries bordering its shores and providing opportunities for trade and investment.
4. **Challenges and Opportunities:** While the Red Sea presents immense opportunities for trade and economic development, it also faces challenges such as geopolitical tensions, security threats, and environmental concerns that need to be addressed collaboratively by the international community.
5. **Infrastructure Development:** Investments in infrastructure projects, such as ports, shipping lanes, and transportation networks, are essential for optimizing the efficiency and safety of trade routes in the Red Sea region, fostering economic growth and prosperity.
6. **Regional Cooperation:** Enhanced regional cooperation and diplomatic dialogue among countries bordering the Red Sea are crucial for promoting stability, security, and sustainable development in the region, ensuring the continued prosperity of maritime trade.

7. Adaptation to Change: As global trade dynamics evolve, stakeholders in the Red Sea region must adapt to emerging trends, technologies, and regulations to remain competitive and capitalize on new opportunities in the global marketplace.

8. Future Outlook: Despite the challenges and uncertainties, the Red Sea is poised to remain a key artery of international trade and commerce, driving economic integration and fostering mutual prosperity among nations along its shores.

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