

Shift in global trade patterns to gather pace

An expected sharp increase in tariffs on goods from China imported into the US will see a build-up of 'strategic inventories' by Chinese manufacturers.

[Nick Savvides](#), Europe correspondent

November 20, 2024



Credit: Marcus Hand

Victory in the [US](#) Presidential election by Donald Trump is expected to result in an increase in the build up of what [Xeneta](#) calls 'strategic inventories', goods stored by Chinese manufacturers in different locations hide the origin of the products, thereby avoiding import duties.

President elect Donald Trump has a mandate to raise import tariffs on goods from all destinations, but has promised to raise the tariffs on goods from the country's biggest importer by up to 100% on some products.

Initial tariffs imposed in Trump's first presidential term saw the shift of manufacturing to southeast Asia and more recently to [Mexico](#), in a report published last week by Xeneta, senior analyst, Emily Stausbøll illustrated the effects on the Far East to East Coast South America trade caused by the expected substantial rise in import duties.

South American demand reported record volumes of 1.6 million teu on the trade in the first nine months of this year, a year-on-year increase of 14.8%.

Emily Stausbøll, Senior Analyst at Xeneta, illustrated the developments in a paper on the development of the Far East- East Coast South America trade, published last week.

He wrote: "Alongside the record-breaking volume on this trade is an all-time high in offered capacity, which averaged 63,900 teu in the first four weeks of October (30 September to 27 October). This is an increase of 73% compared to the same period in 2023, according to Xeneta and Sea-Intelligence data.

Related: [Folk Maritime focussing on slot costs and partnerships](#)

According to Stausbøll's colleague, Chief Analyst Peter Sand, a similar effect has been witnessed in other regions, including the Middle East, Indian Subcontinent and Southeast Asia, with capacity increasing along with utilisation, but a softening of both spot and contract rates.

Sand argues that this shift in global trade patterns will be fast-tracked after Trump takes office in January, as China, and other nations, anticipate sweeping protectionist measures aimed at safeguarding US industry.

"If we look back at 2024 Chinese exports to the Middle East, Mexico and South America have grown unfathomably high... the volumes moved are way beyond the underlying economies of those regions," explained Sand.

He added that [Chinese](#) manufacturers have been building 'strategic inventories' in an effort to hide the country of origin of their freight, if tariffs are imposed, and that, said Stausbøll, has already caused "massive shifts in global trading patterns".

The US election result earlier this month will mean that "those strategic inventories will come into play," noted Sand.

Related: [Folk Maritime explores Saudi Vision 2030 and Fleet Expansion](#)

Last week's paper revealed how preparations had already been made for a second Trump term, with the president having already introduced tariffs on a wide range of Chinese goods in his first term in office.

"Prior to 2024, the four-week average of capacity on this trade had never been above 50,000 teu, but that mark has now been passed 13 times," wrote Stausbøll.

On the Far East to ECSA trade the rapid increase in demand bolstered spot rates, which increased substantially from the spring lows of under \$4,000 per feu to summer highs of \$10,000 per feu, but as capacity was cascaded from the major trades, with around 10% of nominal capacity added across the board, according to Sand, spot rates have declined to under \$7,000 per feu.

Contract rates flatlined, at \$2,000 per feu from November 2023 until late summer this year, when they edged up \$1,000 per feu, briefly reaching \$5,000, before slipping to \$4,000 per feu this month, according to Xeneta data.

Other trades where the strategic inventories have been established have experienced similar developments in demand, capacity and rate shifts as inventories were established.

Sand, however, believes we are now on the cusp of a further shift in trade patterns, or at least a consolidation of the strategic inventories, that Chinese manufacturers have built up in readiness for more protectionist measures that were trumpeted during the election campaign.