Air Cargo

Trump tariff hike on imports from China could boost air cargo

by Stuart Todd 55 minutes ago

The prospect of a significant increase in tariffs on goods imported into the U.S from China could have the effect of boosting air cargo, according to a senior industry executive.

Speaking at a recent webinar which focused on trends shaping the air freight market in 2025, organized in collaboration with market analytics platform, Xeneta, TIACA's Director-General, Glyn Hughes, said it was interesting to note first of all that the Biden administration had added to the tariffs which Trump had imposed during his initial term of office.

"However, the incoming President has made it clear that he's going to put in significant new tariffs. As far as Mexico and Canada are concerned, this is unlikely to affect air cargo as trade is mostly via land-based border crossings. If he puts a 60%, 70% (tariff) increase on a lot more Chinese products, two things could possibly happen. We might see retaliatory measures, which would then impact everybody negatively with inflationary pressures putting up the price of incoming goods.

TIACA's Director-General, Glyn Hughes

"But we also may see an acceleration of 'China plus one' with Chinese manufacturers saying, 'Well, OK, I'm going to shift or partially shift final assembly to Vietnam, to Malaysia, to other parts of Southeast Asia, which interestingly could create even more cargo volumes. So, what is designed as a plan to kind of dampen demand for imported goods and promote manufacturing in the U.S. could actually result in increasing demand for air cargo as production sites proliferating across Asia finally come to fruition."

ILA strike threat

Hughes also highlighted that the current squeeze in air cargo capacity amid buoyant demand, means that the sector would only be able to accommodate a very small fraction of the ocean freight traffic impacted as a result of the potential strike action by the International Longshoremen's Association (ILA) later this month at U.S. East Coast ports in protest to automation measures.

*"*It's almost inevitable now that on 15-16 January ILA members will down tools again. The second issue of their dispute – the first was monetary and was resolved last October after a three-day strike – is automation. This is a much more challenging topic to overcome because the port operators say they feel that they need to go for more efficient, automated cranes to be able to facilitate growth over the next 10, 15 years. Of course, the unions are saying that this will be at the expense of their members' jobs which is not something they can accept.*"*

Hughes noted that Donald Trump has clearly illustrated who he supports in this dispute (the ILA). *"*So, if a strike occurs, it's likely something would happen when the President comes into office, which is, I believe, five, six days later. So, we may be looking at a minimum of one week of industrial action, possibly a little bit longer. With 77 ports affected the amount of cargo that would be confined, either stuck on a ship or stuck in port, is huge. We might find that shippers and forwarders are either pre-loading or pre-empting that by bringing cargo forward.

*"*In my view, I don't think the air cargo sector has the capacity to move more than a microscopic percentage of the ocean freight affected by the strike. The Transatlantic air cargo trade is served by belly rather than maindeck space. This means that the available capacity is somewhat limited and is dispersed across many, many flights. So, I'm not sure how effective the response could be.*"*

Long or Short on Rates?

The webinar also brought to light how shippers were dealing with the current uncertainty in the market over how long they should lock in their rates for and when they should go to the (spot) market.

Xeneta's data showed that in Q4 2024, 50% of contracts between forwarders and shippers where for a duration of 12 months, in sharp contrast to the rates agreed between forwarders and airlines of which almost neatly 50% were in the spot category – valid for up to one month only.

Hughes expressed concern "at these two very different approaches", underlining that while for most of 2023 there had been a lot of excess capacity available and one could feel confident that the spot market would offer space at reasonable prices, 2024 had produced a radically different picture.

Xeneta's findings pointed to double-digit growth in demand over the past 13, 14, 15 months with capacity increases lagging significantly behind. According to its projections for 2025, global demand growth is projected to slow down (+4-6%) but still outpace supply (+3-4%).

"As the gap between capacity that has been pre-booked or pre-sold (within the framework of longer-term contracts with shippers) and that available for free sale becomes smaller and smaller and load factors become higher and higher, this might produce some very challenging scenarios. Forwarders going to the 'open' market may be in for a shock."

Trade Imbalance

Turning to cargo load factors, the latest data from Xeneta (November 2024) brought into sharp relief the significant imbalance on routes from and to the Asia Pacific region.

“Looking at the various numbers, ex-Asia-Pacific load factors to North America, the EU and the Middle East are in the high 80s.To all intents and purposes we're talking about almost constant full flights. And yet, if you look at the reverse legs, Europe-Asia-Pacific, is at 43 %, Middle East and Central Asia to Asia-Pacific at 33%and even North America to Asia-Pacific, while the only one of the three legs that's actually shown growth, is only just above 50%,” Hughes noted.

Such an imbalance on the Asia-Pacific trade, ‘out versus in,’ represented a real challenge to the industry and yet the response in terms of rates has been measured when one would have expected to see some extreme peaks in rates coming out (of Asia-Pacific) to compensate for much lighter loads coming back and in some cases, empty loads coming back, Hughes observed.

Xeneta data also revealed that the most ‘balanced’ air cargo trade lane was North America-Latin America with load factors of 74% and 77% respectively.

“When I was in South America, people were telling me that they were getting some good loads coming out and some great loads coming in – a situation they’d not had for the last 20 years because the economies in Latin America have not all been on a good footing,” he added.

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