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[A new Suez crisis threatens the world economy \(economist.com\)](https://www.economist.com)

Red alert in the Red Sea

A new Suez crisis threatens the world economy

Global shipping firms are suspending voyages in the Red Sea



image: afp

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Over a thousand miles from Gaza, a naval crisis is unfolding that could transform the war between Israel and Hamas into a global affair with implications for the world economy. Since December 15th four of the world's five largest container-shipping companies, cma cgm, Hapag-Lloyd, Maersk and msc have paused or suspended their services in the Red Sea, the route through which traffic from the Suez Canal must pass, as Iran-backed Houthi militants, armed with sophisticated weapons, escalate their attacks on global shipping flows. As one of the world's major trade arteries suddenly closes, America and its allies are ramping up naval activity in the Middle East, and may even attack the [Houthis](#), in order to re-establish free passage.

Bab al-Mandab is a narrow strait between Africa and the Arabian Peninsula through which an estimated 12% of global trade by volume normally flows, and perhaps 30% of global container traffic. It has become a no-go zone as the Houthis, based in Yemen, attack shipping, ostensibly in support of the Palestinians in Gaza. The strikes have been going on for weeks but have now escalated sharply. On December 15th the Houthis threatened to attack one ship, struck another one with a drone and launched two ballistic missiles at the mv Palatium III, one of which hit the vessel. The attack on the Palatium III was the first ever use of an anti-ship ballistic missile. All the ships were Liberian-flagged. On December 16th the American naval vessel, uss Carney (pictured), shot-down 14 drones over the Red Sea while a British ship, hms Diamond, destroyed another.



image: the economist

Faced with a soaring risk of ships being crippled and their crews killed, the global shipping industry is switching into emergency mode. On December 15th Maersk and Hapag-Lloyd paused their services. On December 16th cma cgm followed, as did msc, the owner of the Palatium III, which said that its ships would not use the Suez Canal in either direction “until the Red Sea passage is safe”, and that some vessels would be rerouted via the Cape of Good Hope. Together these four companies account for 53% of the global container trade. Smaller container operators, as well as dry-bulk carriers and oil tanker firms, may now follow their lead.

The crisis has two big implications; one for the world economy and the other regarding the risks of military escalation in the Middle East as Western countries try to re-establish order. Start with the economy. Revenue from the Suez canal is a major source of income for Egypt, which is already in the midst of a [financial crisis](#). Israel will be less affected, with only about 5% of its trade passing through Eilat, its Red Sea port. For the world economy a prolonged closure of the Suez route would raise the costs of trade as shipping is rerouted around Africa, taking more time, and insurance premiums soar. Short-term supply-chain snarls could also result from wide-scale rerouting of trade: in 2021 the [Ever Given](#), a Taiwanese-operated ship, ran aground and blocked the canal for six days, amplifying a global supply-chain crunch. If the Red Sea security crisis is perceived to threaten shipping in the nearby Arabian Sea, through which perhaps one-third of global seaborne oil supply passes, the economic costs would be dramatically higher.

These risks are why America and its allies will be inclined to act. But the Houthi threat is a daunting and complex one. The militant group’s motto includes the exhortation “Death to Israel. A curse upon the Jews,” and it claims that it is targeting “all ships heading to Israeli ports” until food and medicine are delivered to Gaza. But most of the ships being attacked neither are headed to Israel nor have Israeli ownership. Countries from around the world are affected: one of the vessels attacked by the Houthis was sailing under a Hong Kong flag.

The apparent incoherence of the Houthis’ stated aims should not be confused with ineffectiveness: for years, Iran has trained, armed and supported the group in its successful insurgency within Yemen and in a war against Iran’s regional rivals, Saudi Arabia and the United Arab Emirates (uae). The sophistication of some of the weapons involved is high. “The Houthis have a giant anti-ship missile arsenal at this point,” says Fabian Hinz of the International Institute for Strategic Studies (iiss), a think-tank in London, including those with ranges of up to 800km.

Western officials are unclear as to whether Iran is directing individual attacks. Israeli intelligence is not yet convinced the latest strikes were sanctioned by the Corps 6000, a unit of Iran’s expeditionary Quds Force that

works with the Houthis in a joint command centre. However, the group is thought to receive intelligence on shipping from Iran's surveillance ships in the Red Sea. And the broad campaign against shipping fits with Iran's strategy of calibrated pressure, avoiding an all-out attack on Israel while drawing on its regional proxies to harangue Israel violently from all sides. The danger now is that Iran does not have perfect control over Houthi attacks and the strikes are dragging in a far wider range of countries.

It is possible that diplomacy might help de-escalate the crisis. In 2015 Saudi Arabia and the UAE intervened in Yemen's civil war in favour of the internationally recognised government. In March 2022 the Saudis agreed to a ceasefire, leaving the Houthis in control of the capital, Sanaa, and the strategic western coast. They may soon announce a road map to make the ceasefire permanent and end the war. Commitments to cease maritime attacks might conceivably be part of any talks.

Nonetheless, a bigger military response to the Houthi threat is now likely. A multinational task force, currently led by America's navy, is already operating off the Yemeni coast in order to try to deter the Houthis from forcibly boarding ships—a raid was disrupted in November—or firing missiles. It includes both Egypt and Saudi Arabia. In recent weeks American, British and French warships have all intercepted Houthi drones and missiles, and America has asked Australia to send a warship, too.

But this defensive armada has struggled to keep the crisis under control. The Houthis have demonstrated that a few drones and missiles are always likely to get through. One potential next step involves armed escorts for merchant shipping, which America used during the so-called tanker war between Iran and Iraq in the 1980s. But these are resource intensive, requiring a very large number of warships, according to naval sources involved in the debate.

The main alternative is to strike the Houthis and their arsenal directly. America and Israel have both developed plans to attack Houthi depots and launchers. America will be loth to broaden its involvement in the Middle East: the Biden administration had been focused on expanding the Red Sea task force and putting diplomatic and economic pressure on Iran. Israel does not want a new conflict: it is already facing pressure from America to wind down this phase of the Gaza war, and is concerned about Hizbullah, the Lebanese militant group, which has been firing missiles at Israel almost daily. Yet if Iran and its Houthi proxies continue attacks that keep one of the world's major trade routes closed, escalation may be inevitable.