Turmoil in global container shipping

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Lars Jensen
CEO, Partner

Vespucci Maritime

Trade wildcards continue to emerge

- New “reciprocal” tariffs, not the same as the old
- Furniture tariffs to likely come by mid-October
- 25% penalty tariff on India due to buying Russian oil – will be expanded to other countries buying Russian oil or energy?
- “Retaliation” threatened on countries voting for the carbon tax on marine fossile fuels in MEPC meeting in October
- De minimis abolition now causing termination of many services of small parcels to the US
- Tariff exceptions on some 800 commodities issued on Friday 5 Sept for validity as of Monday 8 Sept
- This all makes it impossible for any shippers to make meaningful supply chain planning

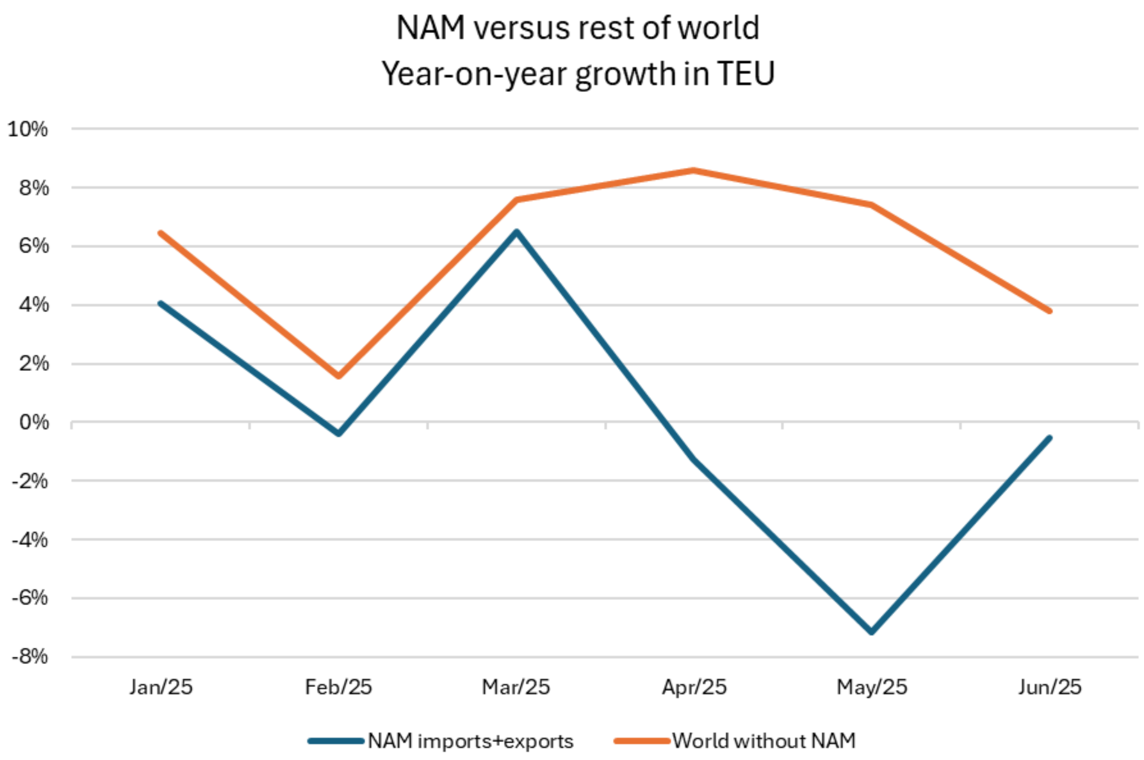
Red Sea crisis

- US / Houthi ceasefire in effect, but this is a meaningless “victory” stated by the US
- Ceasefire does not apply to Israeli vessels, vessels with Israeli ties, vessels operated by companies servicing Israel nor to attacks on Israel itself
- 2 vessels attacked and sunk in early July
- Latest attacks took place in late August and early September
- Regional niche operators continue to serve through the risk area
- CMA CGM: BEX2 and MEDEX services operate via Suez
- Latest addition to the conflict: Israeli owned or operated vessels not allowed to call Turkey and Turkish flag vessels not allowed to call Israel

USTR fees – coming in October 2025

- Revised proposal, intended to go into effect from October 2025
- Fees up to ~10M USD on vessels operated by Chinese carriers and owners
- Fees up to ~2.5M USD on Chinese-built vessels
- Exemption for vessels <4000 TEU and voyages <2000 nm. Exemption is only for Chinese-built vessels
- Many carriers have announced this will not be a major problem – Premier Alliance now splitting a US-Asia-Med pendulum service into two separate components
- Ocean Alliance has a problem – even though CMA CGM has stated this will not be an issue for them, OOCL has stated it is a significant expense problem
- We should expect rejigging of services and vessel deployment in the next 2 months

Demand Development



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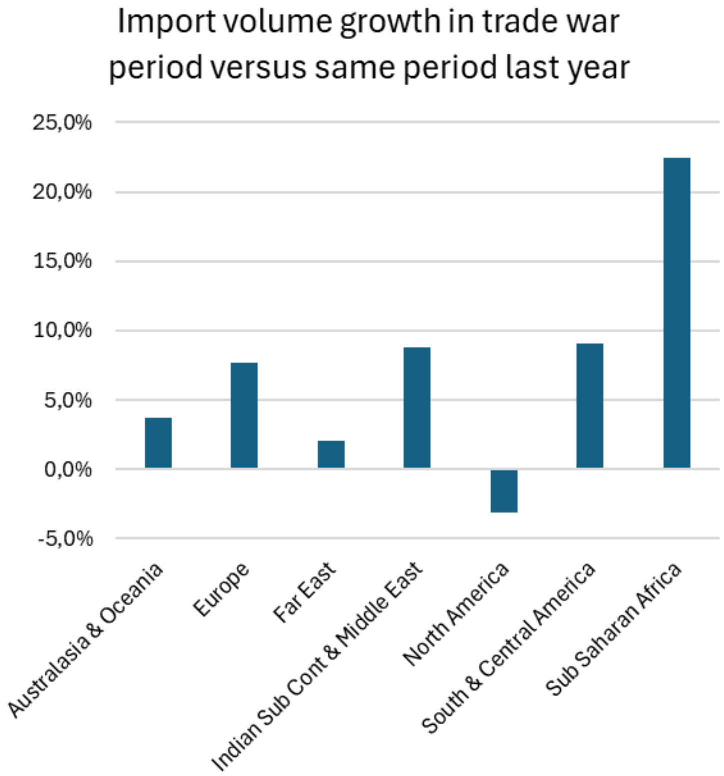

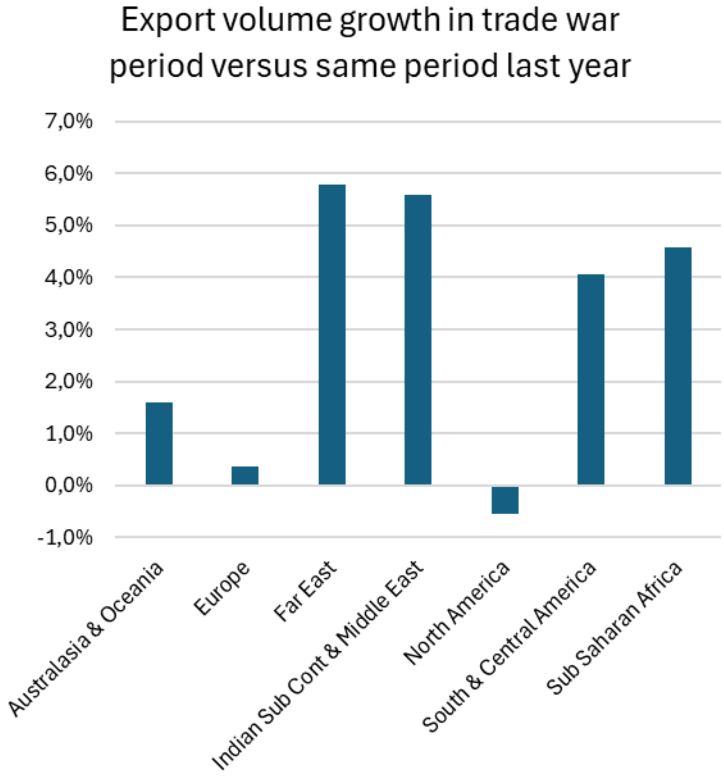

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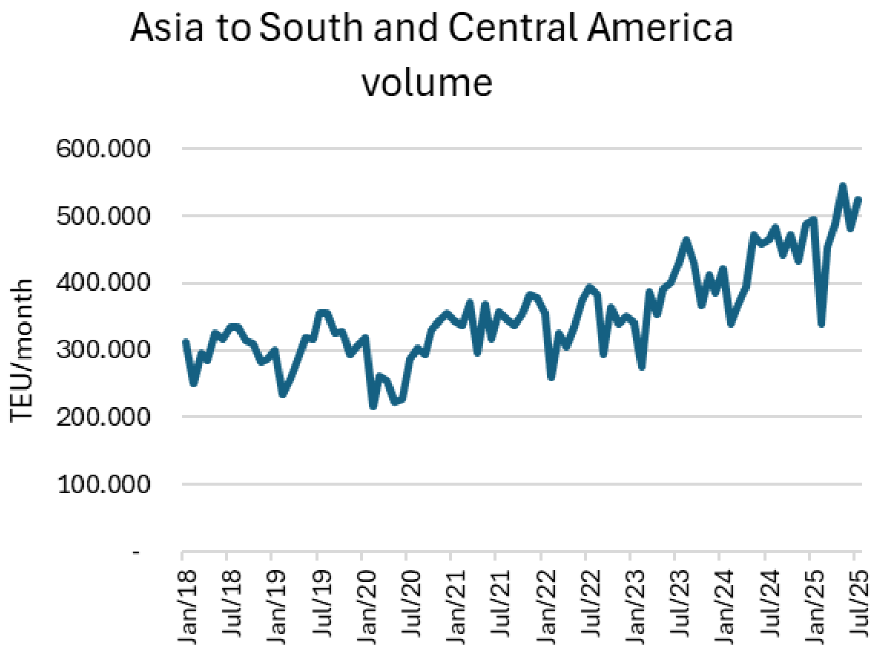
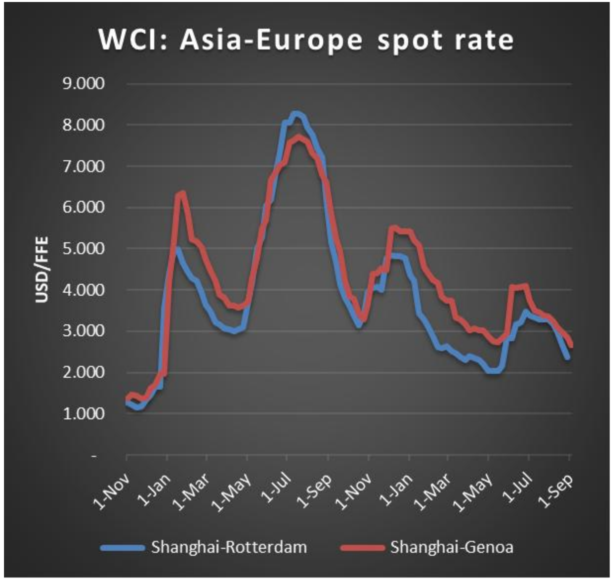
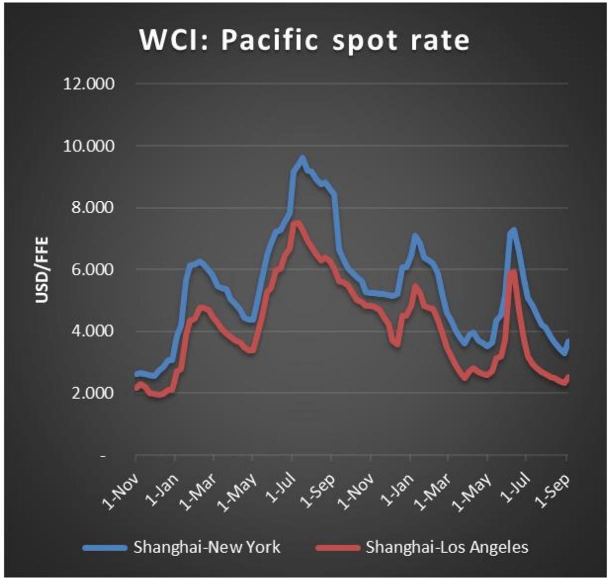
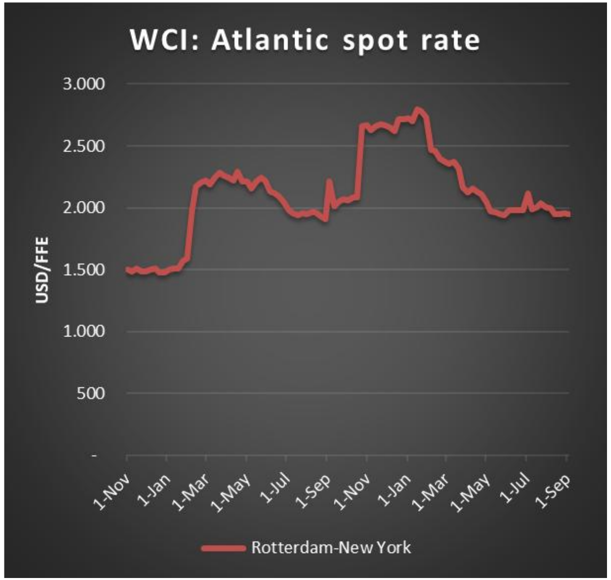


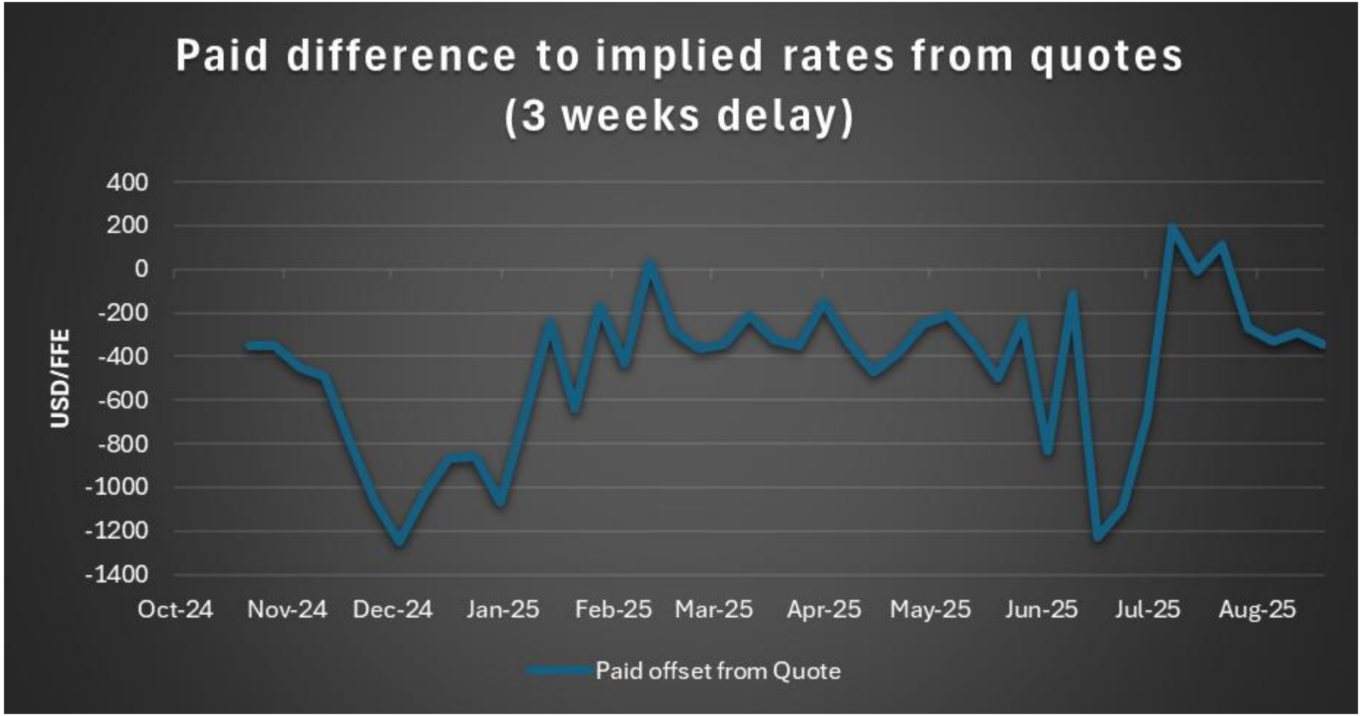
Pacific: Yo-yo rates



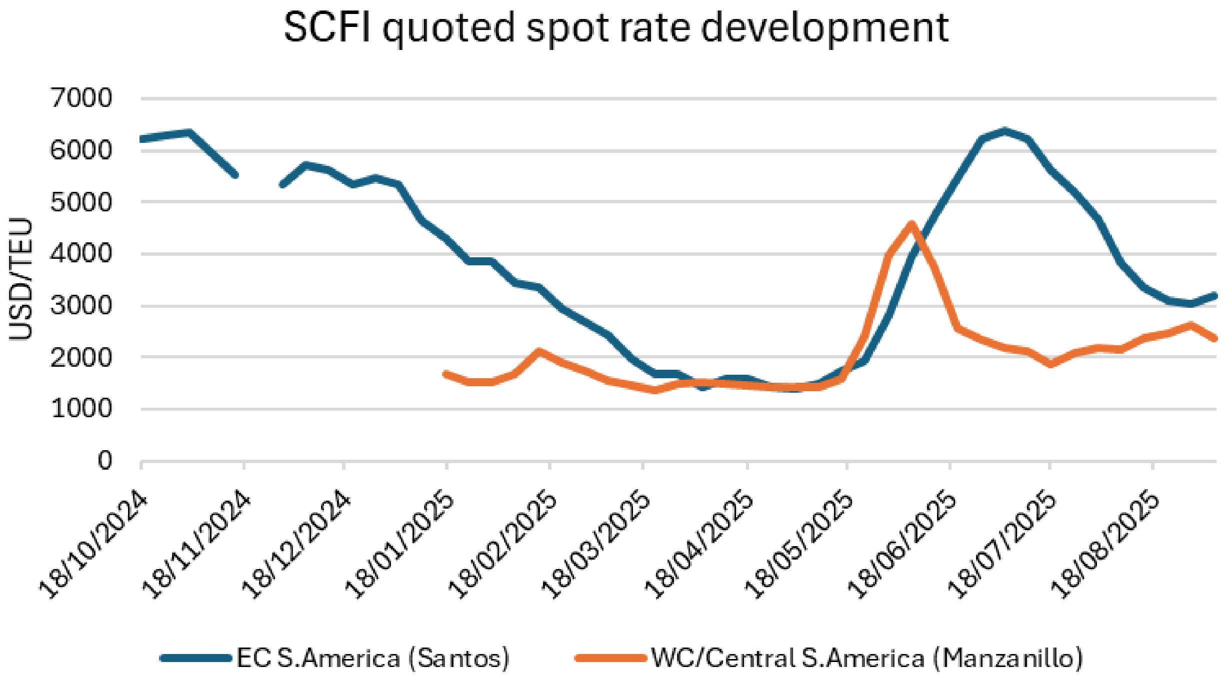




Split impact in Asia : NYFI index



Rate developments Asia-South America



“Compliance” as a multi-dimensional problem

- Tariffs and regulation
- Decarbonization
- Geopolitical constraints

Tariffs and regulations

The carriers' ability to respond sufficiently quick to tariff changes is limited

Case in point is the short sharp mini-spike in end-May

Implementation dates can be severely problematic – case in point is the penalty tariff on Indian imports into the US

Carriers and their customers face an unknown possible liability given the speed of regulatory changes

Decarbonization

"tax" on marine fossil fuels from 2027

Problems:

- Enforceability when US and likely some other countries do not join and create possibilities for loopholes
- Still very limited willingness from customers to pay
- High likelihood of some competitors focusing on exploiting loopholes
- Very intransparent when trying to compare emissions across carriers

Geopolitical constraints

A few examples of new constraints emerging just in recent months:

- US penalties on Chinese ships
- No ships calling Pakistan can call India
- No Israeli vessels into Turkey
- No Turkish flag vessels into Israel
- No overland cargo between Thailand and Cambodia
- OFAC listing of 25 container vessels removing more than a third of SeaLead shipping's fleet overnight

This is likely to get worse and more complicated

Possible additional disrupters in 2025-26

- Bottlenecks in US government functions such as US Customs
- US recession
- Other new regional conflicts – Thailand/Cambodia as the newest example
- Port congestion is a problem in Europe presently. This is not appearing to improve
- Regulatory shifts in the US causing unpredicta le trade flows and bottlenecks
- US FMC investigation into flag state competition