

The Big Read Global trade

## The risks of relying on superpowers to protect global trade

History tells us that entrusting a dominant military force with the stability of maritime commerce can stir up trouble

**Alan Beattie** in London, **Henry Foy** in Brussels and **Felicia Schwartz** in Washington  
YESTERDAY

---

Keep up with the latest news on Asia's biggest economy.

### **Explore the China Focus hub**

On the face of it, the Houthi militants' attacks on ships in the Red Sea are like a supersized version of the Ever Given incident in 2021.

When the container ship got stuck in the Suez Canal and blocked it for six days, there was a lot of talk then about the fragility of globalisation and chokepoints in supply chains.

In the event, the problem went away. Apart from some running-down of inventories and an unpleasant short-term earnings hit for some companies, globalisation survived just fine.

Similarly, although the Houthi attacks threaten a [humanitarian catastrophe](#) for the millions of Yemenis and Sudanese dependent on imported food and other aid, they seem unlikely to have a disastrous impact on [global trade](#).

---

## Incidents involving the Houthis have disrupted trade in the Red Sea

Incidents between November 19 2023 and January 24 2024

**TOTAL INCIDENTS**

**7**



Pause

FINANCIAL TIMES

Source: Ambrey Analytics

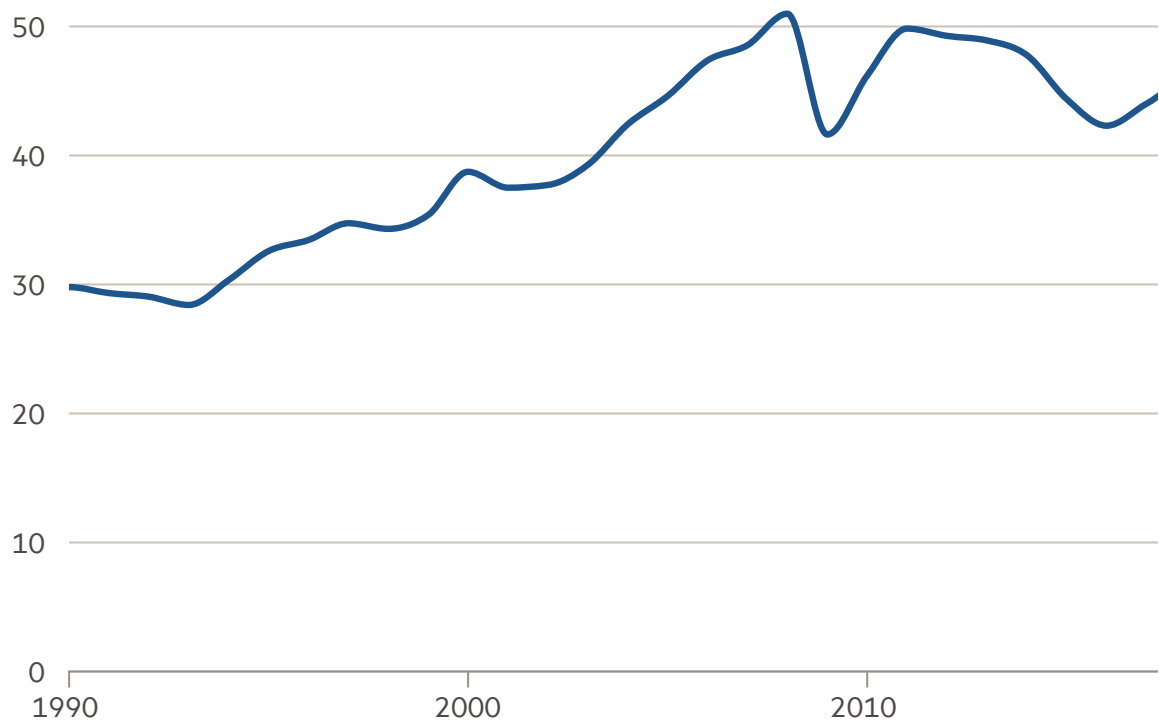
The container [shipping](#) industry is running at low capacity, with many ships due to be launched in the next couple of years, meaning it can absorb the cost of longer journeys around the southern cape of Africa even if trouble in the Red Sea persists.

“There’s so much shipping capacity coming on stream that in the long run the increase in rates evens out,” says Ryan Petersen, chief executive of the freight forwarding and logistics company Flexport.

Indeed, the post-cold war surge in goods trade, which has either exceeded or kept pace with GDP growth, has now survived a whole series of supply shocks: the security clampdown following the September 11 attacks in 2001, the Sars and avian flu outbreaks of the 2000s, the Icelandic ashcloud in 2010 which closed much of Europe's airspace, the Covid pandemic and Russia's invasion of Ukraine.

## Goods trade has grown as a share of GDP

Merchandise trade, % of global GDP



FINANCIAL TIMES

Source: World Bank

The sharp rise in freight rates and port snarl-ups in 2021-22, which have now dissipated, were more to do with a surge of consumer demand as the world recovered from the initial shock of Covid, not supply shocks to the trading system.

Many factors explain this remarkable resilience, but an important one is the role America has played over recent decades in keeping shipping lanes open, particularly by clearing them of pirates.

It has not done so entirely alone; its anti-piracy campaign off Somalia, for example, has attracted help from dozens of other countries. But the Center for Global Development think-tank says the US contributes [0.2 per cent of gross national income](#) to protect international waters, as against an average of 0.015 per cent of the world's 40 most powerful countries.

## Shipping prices are rising but well short of Covid-affected levels

Freightos Baltic index



Source: LSEG

© FT

The Houthis' attacks are more severe than those of Somalian pirates, but the most pressing danger, given they are backed by a powerful state like Iran, is as a possible trigger or harbinger of large-scale regional wars to come.

The risk of such a conflagration is rising, be it the Middle East, Chinese military aggression against Taiwan, or permanent destabilisation of the EU's eastern border by ongoing conflict in Ukraine. An eruption in any of these areas might really send globalisation into reverse — and put in stark contrast the world's reliance on a military superpower to uphold it.

**None of this is new.** Historically, naval forces have deployed to create or maintain trade routes, but the flipside is that maritime wars or rivalries have an unpleasant habit of interrupting world trade.

In previous centuries the saying was that “trade followed the flag” — commerce went alongside colonial expansion — and the distinction between the merchant and military navy was often blurred.

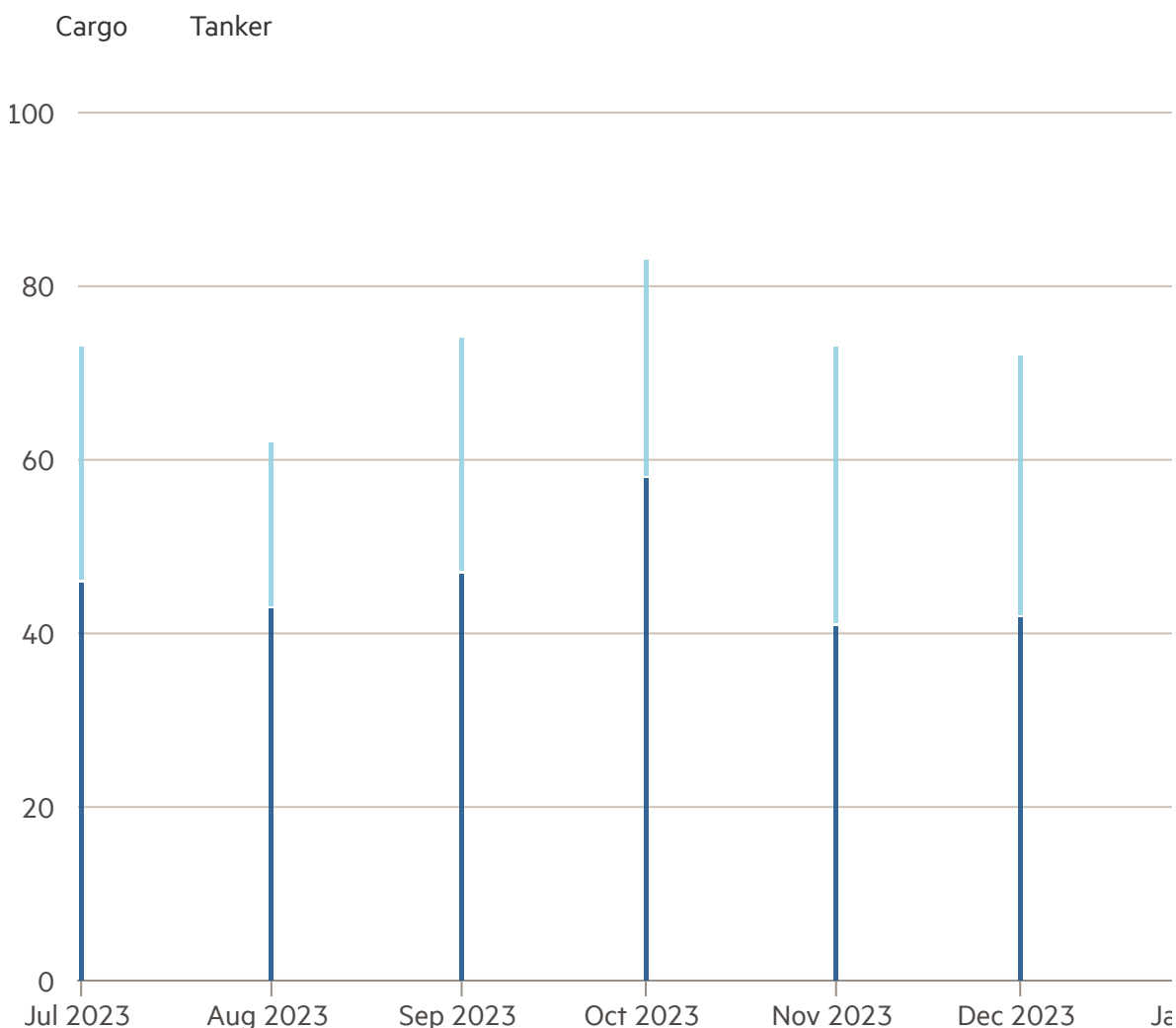
Oliver Cromwell, when he was Lord Protector of England, Scotland and Ireland in the mid-17th century, used naval power to protect and extend trade in a more systematic way than previously.

He deployed the English navy against the Netherlands to challenge its dominance over maritime trade, and also used naval power — backed directly by the state, not merely private adventurers under an official charter — to seize Jamaica from Spain and gain an imperial foothold in the Caribbean.

By the 19th century, when the Royal Navy was the world’s largest, it was also performing something of a public good by suppressing piracy around the globe. The years 1870 to 1914 were famously the first golden age of globalisation.

## Drop in traffic through the Suez Canal

Daily transit calls (number of ships, by type)



FINANCIAL TIMES

Sources: UN Global Platform; PortWatch

But the dark side of sea power revealed itself. The imperial naval rivalry between Britain and Germany in the late 19th and early 20th centuries contributed substantially to the outbreak of the first world war which ended the golden age.

That episode has some echoes now. The US Navy has for decades been the most dominant maritime force in the world, but rivalry between armed powers is threatening globalisation again.

China, the US's main geopolitical and commercial rival, has been building up its forces and now has the world's largest navy — though without the global network of hubs and bases from which the US operates.

# 299

Number of ships in the US Navy, down from a peak of 594 in 1987

In any case, the obvious locus of a destabilising conflict is just 150km off the Chinese coast. Despite efforts to diversify semiconductor production by the US and the EU, Taiwan remains an indispensable centre of the world's chip industry and

major node in its value network.

Given the use of high-end semiconductors in military and intelligence use, this makes its technological and manufacturing capability of strategic as well as economic importance.

Any conflict involving Taiwan is as likely to involve a [Chinese maritime blockade](#) as a full-on land invasion. The US's capacity to maintain open sea lanes will be stretched if blockages become more politically-motivated and long-lasting.

After the second world war and the Vietnam war, the size of the US Navy peaked in 1987 with 594 ships. That was when the US launched Operation Earnest Will, one of the largest naval operations since the second world war. It aimed to protect oil supplies moving through the Gulf, which were coming under attack during the Iran-Iraq war.



Although the Houthi attacks on ships threaten a humanitarian catastrophe for the on imported food and other aid, they seem unlikely to have a disastrous impact on global trade © Yahya Arha/EPA-EFE

[Highlight](#) [See related article](#)

Now the US Navy has half as many ships — 299. “Our ships have gotten a lot more expensive to operate and maintain,” explains Todd Harrison, a senior fellow at the American Enterprise Institute. “Even though the defence budget is higher today than it was at the peak of the cold war, even when you adjust for inflation, we’re not able to afford as many ships as we were because our costs are so much higher.”

A 2024 ship building plan for the Navy envisions that the service will have a fleet of 367 manned vessels by 2054, but in the interim analysts warn that the Navy will experience short-term drawbacks at a moment when the defence of shipping routes has become more crucial.

The anti-piracy operations of recent decades are different from a broader and sustained security threat. “You’d have one ship on patrol like you saw in [the Tom Hanks movie] *Captain Phillips* and so when there was some kind of problem, they’d come respond,” says Bryan Clark, a senior fellow at the Hudson Institute who spent 25 years in the US Navy. “The last time we really had to protect each ship as it passed through a choke point was the tanker wars in the 1980s.”

---

**The great unknown** is whether a Donald Trump presidency would continue the US’s role.



The US navy may still conduct anti-piracy campaigns, but Trump's animus towards Taiwan, whose highly successful export orientation he [blames for stealing US business](#), might make him reluctant to continue to protect it.

Trump resents the security burden on the US, and during his first term threatened to leave Nato unless other members contributed more to its operations. Several of Nato's European members increased military budgets following Trump's call, and the alliance expected 11 countries to meet its target of spending 2 per cent of GDP on defence in 2023, up from seven the year before.



A steep decline in the number of tankers entering the Suez Canal in Egypt suggests that attacks on ships in the area are further disrupting a key artery of global trade © Bloomberg

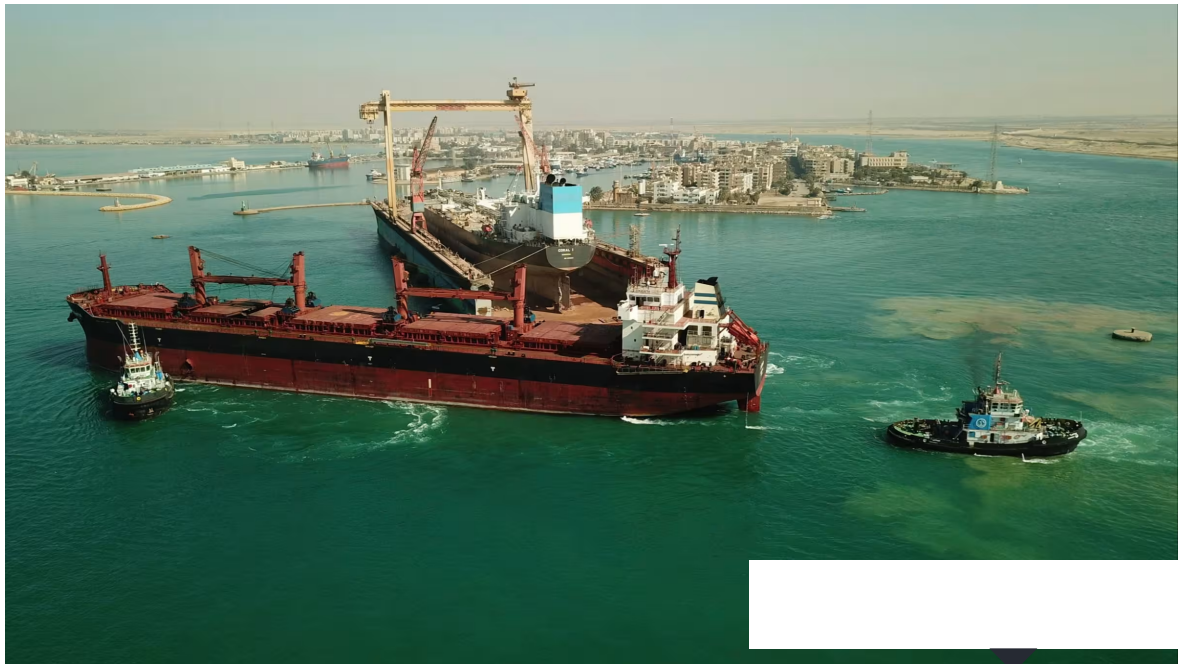
It seems unlikely, though, that anyone wants fully to take over. While both Nato and the EU have stepped up their work on maritime security issues in recent years, their focus is mainly on protecting Europe-related trade routes, such as the Gulf, Mediterranean, Baltic and Arctic.

Western officials involved in discussions on maritime security caution that the scale of geographical intent is far below what the US provides globally, and that the ramp-up is not directly linked to fears that a Trump presidency would result in a significantly downgraded US naval presence.

“We can't replace the Americans but we know that Trump will at the very least provoke a debate about how we do more,” says a senior EU diplomat. “So we need to prepare for what that would look like.”



The EU this month agreed to deploy a joint mission to the Red Sea in response to the Houthi attacks on shipping, set to be built on an already existing European naval joint mission in the Strait of Hormuz based out of the UAE, called AGENOR.



The Greek-owned bulk carrier 'Zografia' undergoes repairs at the Suez Shipyard in Egypt after being hit by Houthi missiles © Suez Canal Authority Office/Handout/EPA-EFE

That comes alongside Nato's Operation Sea Guardian in the Mediterranean, anti-piracy patrols off Africa's Arabian Sea coast, and the alliance's increased focus on protecting undersea critical infrastructure, stepped up since Russia's full-scale invasion of Ukraine in February 2022.

As for China itself, it has joined in some anti-piracy efforts, but it has notably declined to get involved in protecting the Red Sea from Houthis.

Indeed, since the Houthis have declared that they will attack only Israel and its allies, [Chinese container ships](#) have benefited from the ability to continue passage through the Suez Canal with less risk of being fired on.

The attacks in the Red Sea may not impact globalisation all that much, but they stand as a reminder that, for now, world trade remains dependent on the US: an unpredictable military superpower whose geopolitical stances, such as its support for Israel, are themselves a source of insecurity.

The lesson of history is that long periods of peaceful maritime commerce underpinned by a dominant military force can rapidly be upended. It is foolish for governments to imagine that cannot happen now.

*Cartography by [Steven Bernard](#)*