



Written by [Angeline Tan](#) on January 5, 2024

Red Sea Chaos Sends Shipping Rates to New Highs

Container freight rates are skyrocketing as assaults by Yemen-based Houthi rebels on cargo ships in the Red Sea have compelled shipping giants to deploy vessels around southern Africa's Cape of Good Hope, Reuters reported on January 4.

Based on data monitored by the international shipping marketplace Freightos, Asia-to-North Europe rates have more than doubled to over \$4,000 per 40-foot container this week, while prices for Asia-to-Mediterranean shipping have soared to \$5,175.



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Some carriers have declared rates above \$6,000 per 40-foot container for Mediterranean shipments starting mid-month, and surcharges of \$500 to as much as \$2,700 per container could make all-in prices even higher, according to claims by Judah Levine, Freightos' head of research, as quoted by Reuters.

The price jump can be traced to attacks staged by Yemen-based Houthi militants across a key artery leading to the Suez Canal, and have thus far compelled global shipping companies to send cargo ships on a prolonged journey around Africa. The Houthi rebels have claimed that they were acting in support of Hamas, after the escalation of tensions between Israel and the Palestinian terrorist group in Gaza.

However, these extended voyages can last up to 20 days more, resulting in a shortage of container ships.

"People desperate to get space (on ships), are going to pay," Christian Sur, executive vice president for ocean freight at Unique Logistics, admitted to Reuters.

Freight rates for shipping to North American ports have been less affected, but have also increased.

Rates for shipments from Asia to North America's East Coast have escalated 55 percent to \$3,900 per 40-foot container, while West Coast prices have snowballed 63 percent to over \$2,700 ahead of anticipated cargo diversions to avert Red Sea-related issues, Levine posited.

On January 2, U.S. Central Command (CENTCOM) said a U.S. destroyer on patrol in the Red Sea downed two ballistic missiles launched from Houthi-controlled areas of Yemen, while it was responding to a report that a commercial vessel had been hit by a missile.

Two global shipping giants, Denmark's AP Moller-Maersk and Germany's Hapag-Lloyd, have extended their decision to forbid their vessels from traversing the Red Sea and Suez Canal, quoting security risks, as per company statements.

Maersk initially ceased all transits through the waterway for 48 hours on December 31, a day after a Houthi missile fired from Yemen struck its Singapore-flagged container ship Maersk Hangzhou.

On December 30, Maersk Hangzhou, owned and operated by Denmark, indicated at 8:30 pm local time that it had been attacked and requested assistance, CENTCOM said on X (formerly Twitter). Based on the statement by Maersk Hangzhou, the vessel remained seaworthy and no injuries were reported



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among the crew.

Nonetheless, Maersk announced on January 2 that it will extend the halt to shipping in the area “until further notice” as it evaluates security risks of sailing the waterway.

“An investigation into the incident is ongoing, and we will continue to pause all cargo movement through the area while we further assess the constantly evolving situation,” Maersk said in its statement. The company had already halted shipping in the Red Sea in mid-December but restarted travel last week after the United States and its allies launched Operation Prosperity Guardian (OPG) in the region to ensure safe passage.

In its statement on January 2, Maersk said some of its vessels will be rerouted around the Cape of Good Hope in South Africa. According to a shipping schedule published on the company’s website late on January 1, Maersk was forced to divert more than 100 vessels poised to use the route in the coming weeks.

Additionally, Hapag-Lloyd, which also ceased shipping via the Red Sea last month, said it would extend the travel pause for at least another week.

“We monitor the situation closely day by day, but will continue to reroute our vessels until January 9th,” a company spokesperson told reporters on January 2.

Other shipping majors, including Evergreen Line and MSC Mediterranean Shipping Company, have also stopped transporting cargo via the Red Sea in wake of Houthi attacks. As the waterway is a major route connecting Asia and Europe and facilitates around 12 percent of global trade, observers have stated that such halts in shipping through the passage are already disrupting global supply chains, and could further push freight costs up and prolong delivery times.

Meanwhile, British news outlet *The Times* reported on December 31 that Britain is gearing up to stage airstrikes against Yemen’s Houthi militants after a wave of Houthi attacks on commercial ships in the Red Sea. The United States and another European country will also be involved in the strikes, the newspaper claimed.

On January 3, 12 nations led by the United States jointly warned Yemen’s Houthi rebels of unspecified consequences unless the rebels halt attacks on Red Sea shipping vessels.

“Let our message now be clear: we call for the immediate end of these illegal attacks and release of unlawfully detained vessels and crews,” read the statement published by the White House.

“The Houthis will bear the responsibility of the consequences should they continue to threaten lives, the global economy and free flow of commerce in the region’s critical waterways.”

The White House statement came after various reports that the Biden administration was mulling direct strikes on the Houthi rebels if such attacks persist.

Signatories of the statement included Britain, Australia, Canada, Germany, and Japan.

The only regional country to sign was Bahrain, the tiny Gulf state that has particularly frosty ties with Iran, the latter which supports the Houthis. Other signatories included Belgium, Denmark, Italy, New Zealand, and Singapore.

Should the Yemeni fighters fail to heed the warning, British and American ships and war planes will fire missiles at “pre-planned” targets in Yemen itself and on the Red Sea, the same report from *The Times* indicated, elaborating that an unnamed “European country” will “possibly” join the operation too.



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On January 4, just hours after the White House and a host of partner nations [issued a final warning](#) to the Houthis to halt their attacks or face potential military action, an armed unmanned surface vessel launched from Houthi-controlled Yemen got within a “couple of miles” of U.S. Navy and commercial vessels in the Red Sea before detonating.

Vice Admiral Brad Cooper, the head of U.S. Navy operations in the Middle East, said it was the first time the Houthis had employed an unmanned surface vessel, or USV, since their harassment of commercial ships in the Red Sea began. The rebels, nonetheless, have used them in past years.

Fabian Hinz, a missile specialist and research fellow at the International Institute for Strategic Studies, said the USVs form a crucial part of the Houthi maritime arsenal and were used during prior battles against the Saudi coalition forces that intervened in Yemen’s war. The USVs have regularly been used as suicide drone boats that explode upon impact.

The Houthis, who dominate a large part of Yemen’s territory, have attacked dozens of container ships in the Red Sea in order to divert freight traffic away from Israel and disrupt global supply chains for as long as Israel’s military campaign in Gaza persists.

Recently, the United States announced a maritime task force to patrol the Red Sea, although Washington grappled with obtaining support from its allies, with Spain declaring that it would only participate in a NATO-led mission and Italy dispatching warships only to protect Italian shipowners.



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