

## New Covid lockdowns as China battles Omicron

*By admin On March 16, 2022 In Cargo, Insurance Marine News, Keep, Marine Liability, Political Risk, Credit & Finance*

An explosion in the number of Covid-19 cases in recent weeks in Hong Kong, with a correspondingly high increase in hospitalizations and fatalities, has led to concerns that China's two-year zero-Covid strategy might collapse in the face of the increased transmissibility of the Omicron variant. Additional factors are the relatively low levels of vaccination amongst the elderly in China and Hong Kong, the fact that the most-used vaccine in China, Sinovac, is a non-mRNA vaccine, and is therefore thought to be slightly less effective against Omicron, and the far higher proportion of people in the country who are still completely immuno-naïve.

China is not giving up the fight and has announced sweeping new lockdowns, including in electronics manufacturing powerhouse Shenzhen. This has led to warnings that the global supply chain was once again under threat, with fears that we could be facing a rerun of the problems of 2020, although many manufacturers have now spotted the serious flaws in a pure "just-in-time" supply chain strategy. A "just-in-case" element has been incorporated by many western importers of components.

China recently announced lockdowns that would span 19 provinces reaching part of Shanghai as well as Shenzhen which are also the location of the two largest container ports in the world.

Maersk issued a customer bulletin saying that "terminals in the main ports remain business-as-usual, including vessel operation, yard handling, and gate-in & out. We are closely monitoring the situation and aim to bring you the most up-to-date information so that we can continue to serve our customers' supply chain needs given the context of the situation."

Workers at China's main industrial ports live in barracks and typically are closely monitored. It is unclear if they will be counted as essential workers for the current lockdowns, but in the past, they have been able to continue to

work under close supervision and with limited access to the broader community. China said it would further tighten controls and would require all truck drivers seeking to enter port areas to provide a negative Covid-19 test and be tested again at the entry.

Container xChange said in a bulletin that “the lockdowns in Shenzhen, Zhejiang, Shanghai, Jilin, Suzhou, Guangzhou and Beijing (19 provinces as of Sunday, probably more to come in a few days) imposed now will clearly heavily restrict container movement at these ports which will, as we’ve seen in the past, prove to be further damaging for the global supply chain.”

As much as 90% of China’s electronics manufacturing comes from Shenzhen and passes through the port at Shenzhen, which borders Hong Kong – where the current situation, if replicated throughout China, could result in millions of deaths, mainly among the elderly and vulnerable.

The city and provincial governments in Shenzhen have further limited border crossings with the city. The ferry running from Shenzhen to the Hong Kong airport is being suspended and trucks seeking to cross the border will be required to switch drivers at the border.

In the north of the country. on Tuesday March 15th authorities in Langfang city, which borders the capital Beijing, imposed immediate seven-day lockdowns, as did Dongguan in the southern province of Guangdong. The entire province of Jilin is in complete lockdown.

Covid cases were reported to have doubled in the past 24 hours across the nation. In Shanghai 106 flights have been diverted and children are back to online schooling.

While the ports were still operating in Shenzhen, the vast majority of the city’s 17.5m population have been told to stay at home through to next Sunday March 20th.

Currently, operations at DaChan Bay Terminals to the west of Shenzhen remain normal according to a spokesperson, who said that special arrangements had been made for frontline staff. There is some evidence that most links in the supply chain from China to the West have learned lessons from 2020, and that the knock-on effects of a major lockdown in China might be less than it was in April and May 2020.

At Yantian, to the east of the city, home to the largest Shenzhen terminals, a spokesperson for Hutchison Ports said operations were continuing normally.

Sunny Ho, head of the Hong Kong Shippers' Council, said that, while Shenzhen terminal operators reported operations as normal, the main cargo consolidation centres and warehouses in Shenzhen had suspended operations, although smaller warehouses and cargo collection points outside Shenzhen still function as normal.

With reduced workforces and limited truck availability, ship queues were developing at many key Chinese ports this week, including Shanghai, Ningbo-Zhoushan and Qingdao.

Dr Johannes Schlingmeier, co-founder and CEO, Container xChange, warned that "lockdowns in China will further reduce capacity and cause a surge in already inflated shipping prices. The shockwaves will be felt across the US and America, and almost everywhere in the world".

China's latest restrictions could severely restrict the supply of exports, the effects of which will be felt in the west within a few weeks.