



UNCTAD Says War in Ukraine is Stifling Trade and Raising Shipping Costs Globally

June 28, 2022

The war in the Ukraine is stifling trade and logistics in Ukraine and the Black Sea region, increasing global demand for vessel capacity and raising cost of shipping around the world, the UN Conference on Trade and Development (UNCTAD) said Tuesday.

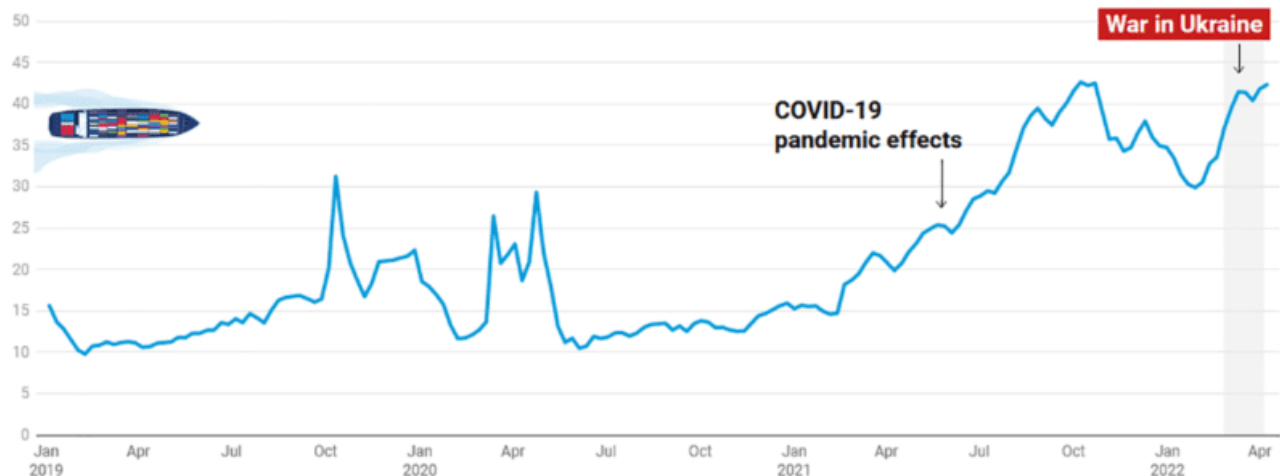
The war in the Ukraine is stifling trade and logistics in Ukraine and the Black Sea region, increasing global demand for vessel capacity and raising cost of shipping around the world, the UN Conference on Trade and Development (UNCTAD) said Tuesday.

Russia's war in Ukraine has forced the beleaguered country's trading partners to turn to other countries for the commodities, including oil, gas and grain, thereby increasing shipping distances that has led to longer transit times and higher costs.

UNCTAD attributes the shipping and transport hurdles in the Black Sea region to disruptions in regional logistics, the halting of port operations in Ukraine, the destruction of important infrastructure, trade restrictions, increased insurance costs and higher fuel prices.

The price of shipping is rising again

ClarkSea Index in Thousand USD/day – all shipping markets.



The series tracks average vessel earnings across the major shipping sectors, including tankers, bulkers, containerships and gas carriers, weighted by the number of ships in each segment.

The agency's findings were published Tuesday in a report titled "[Maritime trade disrupted: The war in Ukraine and its effects on maritime trade logistics.](#)"

"Grains are of particular concern given the leading role of the Russian Federation and Ukraine in agrifood markets, and its nexus to food security and poverty reduction," the report says.

Soaring Shipping Coasts

Fewer grain shipments over longer distances are leading to higher food prices, UNCTAD says. Grain prices and shipping costs have been on the rise since 2020, but the war in Ukraine has exacerbated this trend and reversed a temporary decline in shipping prices.

The report says between February and May 2022, the price paid for the transport of dry bulk goods such as grains increased by nearly 60%.

The accompanying increase of grain prices and freight rates would lead to a 3.7% increase in consumer food prices globally.

UNCTAD's report describes the Russian Federation a "giant in the global market for fuel and fertilizer," which are key inputs for farmers worldwide.

"Disruptions in their supply may lead to lower grain yields and higher prices, with serious consequences for global food security, particularly in vulnerable and food-import-dependent economies," UNCTAD said.

High Energy Prices

The Russian Federation is also a leading oil and gas exporter. “Confronted with trade restrictions and logistical challenges, the cost of oil and gas has increased as alternative sources of supply, often at more distant locations, are called upon,” the report says.

Daily rates for smaller-size tankers, which are key for regional oil trading in the Black Sea, Baltic Sea and Mediterranean Sea regions, have dramatically increased. Higher energy costs have also led to higher marine bunker prices, raising shipping costs for all maritime transport sectors.

According to UNCTAD’s report, by the end of May 2022, the global average price for very low sulphur fuel oil had increased by 64% since the start of the year.

Taken altogether, these increased costs imply higher prices for consumers and threaten to widen the poverty gap, UNCTAD said.

Policy Actions Needed

UNCTAD is calling for urgent action to open Ukraine’s ports to international shipping so the country’s grain can reach overseas markets, at lower shipping costs.

The organization says continued collaboration is needed among vessel flag states, port states and other actors in the shipping industry to maintain all necessary services, including bunkering supplies, health services for sailors and certification of regulatory compliance.

This will help to keep to a minimum the negative impacts on costs, insurance premiums and operations.

UNCTAD also says alternative ways of transport must be pursued and that easing transit and the movement of transport workers – even temporarily – can reduce the pressure on cross-border trade and transit.

Also, UNCTAD calls for more investment in transport services and trade and transit facilitation.

It’s also calling for more international support for developing countries, especially the most vulnerable economies, as the war in Ukraine adds to the challenges posed by the COVID-19 pandemic and the climate crisis.