



The Israeli Federation of International Freight Forwarders and Customs Clearing Agents

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To whom it may concern,

” Swords of Iron ” -Israel at war - bulletin number 18

The goal of this bulletin is to provide visibility on the topic in order to keep our friends and partners informed so that they are well equipped with knowledge (whatever could be available from different trusted sources) to take better business decisions in the coming days / weeks.

The information given in this bulletin delves into the consequences of the conflict on trade relationships, potential disruptions to major trade routes.

Please note the actual situation affecting export and import cargo movement on the 72 days of the war.

Logistics transportation within and through Israel has largely returned to normal, albeit with an increased cost due to the imposition of a rising war risk surcharge. The two major trading ports, Ashdod and Haifa, are reportedly operating under normal conditions. The Port of Ashdod, approximately 50 kilometers from Gaza, is experiencing minor irregular delays in cargo processing, The present conflict serves as a testament to the shipping and maritime industry's ability to adapt, demonstrating that despite challenges and disruptions, trade and operations can persist, albeit with the necessary caution and vigilance.

In terms of airline logistics, most flights were canceled in the immediate aftermath of the attack. The Israel Airlines Authority, however, has normalized operations at Tel Aviv Ben Gurion International Airport for international flights.

An average of 105 flights are landing daily at Ben Gurion airport during the war, compared with the usual 500+ flights. Most of the traffic involves the three Israeli carriers - El Al, Arkia and Israir. Most foreign airlines have canceled, among other things, because insurance premiums have risen sharply.

The Yemen's Houthi Red Sea attacks

Over the last week much global attention was paid to Yemen's Houthi rebels who have escalated attacks on ships passing through the Red Sea during the conflict in Gaza. Random missile and drone attacks on commercial vessels sailing through the Red Sea and the Gulf of Aden could spark a global supply chain crisis. The attack has been raising concerns about the impact on the flow of oil, grain and consumer goods through a major global trade artery. Yemen's Houthi regime is capable of paralyzing the most important shipping lanes in the world through the Bab el-Mandab Strait, posing an intolerable threat for the U.S. and countries in the region. We are already seeing ocean freight liner operators and owners choosing to re-route vessels away from the Red Sea and Gulf of Aden region.

Five of the world's biggest shipping firms have suspended all journeys through the Red Sea following a surge of recent attacks on vessels.

- **The world's largest shipping group, Mediterranean Shipping Company (MSC), has announced it is diverting its ships away from the Red Sea because of an increased threat of attacks.**

MSC said the situation in the area had become "serious". It said that its container ship MSC PALATIUM III was attacked on Friday as it was transiting the Red Sea. There were no injuries to the crew, but the ship had been taken out of service.

- Danish giant A.P. Moller-Maersk A/S, the world's second-largest owner of container ships, said in a statement on Friday that it has instructed its vessels heading for the southern entrance of the Red Sea to pause their voyages until further notice after a near-miss involving its Maersk Gibraltar vessel last Thursday.
- German carrier Hapag-Lloyd AG said last Friday it was also halting sailings until at least Monday after one of its ships was targeted on Friday. A spokesperson added: "Then we will decide for the period thereafter."
- Orient Overseas Container Line (OOCL) informed last Saturday that : "Due to operational issues, OOCL will stop cargo acceptance to and from Israel with immediate effect until further notice".
- Oil carriers, are insisting that vessels be granted an option in all charters to avoid the Red Sea.
- CMA CGM which does not serve Israeli trade said it pauses all container shipments through the Red Sea. The French shipping group CMA CGM said on Saturday it was pausing all container shipments through the Red Sea in the wake of attacks on commercial vessels in the region. "The situation is further deteriorating and concern of safety is increasing," the Marseille-based group said in a statement.

The Houthi attacks appear to have escalated in the past several days with individual ships' connections to Israel becoming less obvious. That suggests risks are widening for the shipping industry at large, with insurance costs climbing. With traffic being turned away from the Panama Canal because of the continuing low water situation playing out, fluidity of the Suez Canal is vital to keeping ocean supply chains as close to normal as possible. Any longer term or significant disruption to Suez traffic is likely to create a high level of deterioration in the consistency of ocean transport services.

Due to the importance of the Suez Canal to global supply chains, even a small disruption can have big consequences. The main alternative is to sail around the Cape of Good Hope, which adds up to 14-18 days sailing time for services from

Asia to Europe and the East Mediterranean. In addition to the financial loss that could be incurred by Israeli importers and the Israeli economy, Egypt is also expected to be adversely affected by the ongoing terror on the Suez Canal. This is because every ship passing through the Suez Canal pays transit fees to the Egyptian government. (see below)

Economy

Despite Israel's robust economic foundation with ample foreign exchange reserves, low inflation, current account surpluses and modest debt, the war could inflict a heavy burden on the economy. The ongoing war has been costing the Israeli economy an estimated NIS 2.3 billion (\$600 million) a week, or about 6 percent of the weekly GDP, according to a research report released by the Bank of Israel.

Customs and regulation authorities

All customs field offices and regulation authorities are operating regularly.

- **Border crossings**

- Cargo operations at **Allenby/King Hussein/al-Karama Bridge crossing** working between 08:00 – 16:30.
- Cargo operations at **Jordan River/Sheikh Hussein Border Crossing**: the cargo terminal is open.
- **Nitzana Border Crossing** – between Israel and Egypt, is closed.
Nitzana border crossing stations and Kerem Shalom crossing station **inspect** aid deliveries to Gaza
Nitzana crossing stations and Kerem Shalom crossing station are now inspecting aid deliveries to Gaza, according to the Israeli military. Last Monday the Israeli government approved the plan to use the Kerem Shalom and Nitzana crossing stations for security inspections of trucks carrying humanitarian aid to Gaza.
- **Yitzhak Rabin/Arava Crossing** between Israel and Jordan near Eilat is working.

- **Crossings Administration of the Ministry of Defense serving cargo moving from Israel to the Palestinian Authority.**

The following crossings are open for cargo moving from Israel to the Palestinian Authority, and for goods moving from the Palestinian Authority to Israel.

Tarqumiyah Crossing - southern crossing in Yehuda and Shomron

Gilboa/Jalama Crossing - northernmost crossing in Yehuda and Shomron

Sha'ar Ephraim - Ephraim Gate - a crossing in the center of the Yehuda and Shomron region.

- **Airports**

Ben Gurion International airport (TLV) stays open as foreign airlines cancel flights. Ben Gurion Airport remains open, but the security situation and staff availability could affect flights.

The conflict has caused significant flight disruptions **Major international airlines suspend flights to Israel amid war on Gaza**

- **Air freight**

Lufthansa Group Airlines plan to resume flights to Tel Aviv

The airlines of the Lufthansa Group are planning to resume their flights to Tel Aviv on 08 January 2024. In a first phase, **Lufthansa Airlines** will initially offer four weekly departures from Tel Aviv to Frankfurt and three weekly flights to Munich. **Austrian Airlines** is planning eight weekly connections to Vienna and **SWISS** five weekly flights departing from Tel Aviv to Zurich. In a first step, the Lufthansa Group airlines will thus offer a total of 20 weekly connections to and from Tel Aviv. This corresponds to around 30 percent of the regular flight schedule. For these services the carriers will operate aircraft of the Airbus A320 family.

Israel air-cargo capacity down despite recent freighter additions

- Over the last two months Cargo carriers have been quick to add freighter operations to Israel.

- Both freighter and bellyhold – is down 29% in the three weeks running to November 19.
- Widebody passenger belly capacity has fallen 67%.
- Meanwhile, freighter capacity during the three week periods has increased by 17%.
- Silk Way has led the way in terms of freighter capacity additions, increasing its cargo capacity by 256% to 1,879 tonnes.
- In terms of frequencies, Silk Way operated seven flights between September 11 and October 1 and 17 between October 30 and November 19.
- Challenge Group has also been quick to respond, increasing its capacity by 49.2% between the two periods to 3,837 tonnes. Frequencies were up from 29 to 47.
- National Airline's cargo space is up 780% to 959 tonnes over the two three week periods, with frequencies increasing from one to nine.
- Other freighter operators to add capacity between the two periods include MNG, SkyTaxi, Easy Charter, El Al, ASL Airlines Ireland, Global X, Fly Pro, Maximus Airlines, Western Global, Air Atlanta Icelandic and DHL
- Israel's El Al Airlines boosted cargo capacity to meet high demand for shipments of equipment to Israel.
- Israel's flag carrier, which has a fleet of 46 aircraft split between long and short haul, removed seats from one of its six Boeing 777-200 planes to add up to 50 tonnes of cargo per flight.
- It also added a Boeing 737 that was recently converted to cargo to its fleet and, with cargo capacity of 20 tonnes, will make two flights a day to various European destinations.

- **Courier / express services**

UPS is maintaining a freeze on flights into Israel because of security concerns associated with operating in a war zone.

DHL Express continues to fly to the country's main airport in Tel Aviv.

FedEx Express continues to fly to the country's main airport in Tel Aviv.

Delivery of shipments already in Israel will be performed where safe and possible.

- **Shipping industry's resilience**

The maritime industry is well aware of the security situation, and companies such as MSC and Maersk remain vigilant, pledging to monitor the situation closely and heed government guidance. This underscores the industry's adaptability and resilience in the face of geopolitical tensions.

Maersk, a major player in the industry, reassured stakeholders by announcing that its port operations across Israel's key terminals are functioning without disruption. MSC echoed this sentiment, asserting that Israel's major terminals are operational, enabling them to facilitate cargo delivery.

- **Seaports**

Israel's seaports feel strain as shipping traffic slows.

Ashdod port is in operation but applies strict entry procedures for vessels carrying hazardous materials.

Other Israeli ports are currently reported to be unaffected and operating as before the conflict escalated.

However, as the situation continues to evolve, the status of Israeli ports may also change.

- **The port of Ashdod** is currently operating in "emergency mode" status.
- **Hadarom Container Terminal (HCT)** working daily until 19:00
- **The port of Haifa** which also include Israel shipyard port is operating as usual.
- **HaMifratz Port**, Haifa, is operating as usual.
- **Eilat** - The port of Eilat is operating as usual.

Following an announcement about “special situation in the hinterland” in the geographical area in which Ashdod Port is included, the Ministry of Transportation has directed the port to regulate the entry of vessels according to the hereby procedure:

1. Entry of vessels carrying Hazardous Materials (“HAZMAT”) of any kind into Ashdod Port, is subject to a prior approval of Israel’s Administration of Shipping and Ports.
2. Shipping agents are required to send detailed list of all HAZMAT of any type on vessels scheduled to arrive at the port of Ashdod, 48 hours prior its arrival at the port. The above applies to both container ships and general and bulk cargo ships. The Israeli Navy controls all the sea traffic in all areas around and near the ports of Ashdod and Ashkelon.

British maritime risk advisory and security company Dryad Global noted that “However, the entire situation remains unstable and demands vigilant monitoring. Should Hezbollah from southern Lebanon get involved, the threat level for the port of Haifa would instantly escalate. While not a direct target, the risk of collateral damage to ships and potential operational disruptions would be of significant concern,”

- **General**

Israeli companies involved along the international supply chain, have upgraded their activities in recent days in order to address the situation and have taken the necessary steps to enable local importers and exporters fulfill their commercial undertakings.

1. The Israel Defense Forces (IDF) have closed main roads near the border with the Gaza Strip.
2. Inland services – both road and rail – are fully operational in and around the country, except around Gaza strip.
3. Schools are open.

4. The conflict could also impose a severe maritime security risk in the area, with sources already claiming that vessels are changing their routes after being advised to do so.

Global economic and trade fallout from Yemen's Houthi threats to cargo ships – a global problem

- **When the Houthis attack a ship in innocent transit through international waters, they first and foremost violate the sovereignty of the flag state that the ship carries and the sovereignty of its civilian crew members. They do not in any way harm the national affiliation of the ship's owners.**
- **The Iran-backed Houthis threatened on December 9 to target all ships heading to Israel via the Red Sea. "If Gaza does not receive the food and medicine it needs, all ships in the Red Sea bound for Israeli ports, regardless of their nationality, will become a target for our armed forces."**
- **Houthi rebels in Yemen, in solidarity with Hamas, threaten ships with Israeli ties to pass through the shipping lanes in the Arabian Sea and the Bab al-Mandab strait.**
- **The increasing threat has forced Israeli shipping companies to reroute their cargo ships around Africa, raising transportation costs significantly and increasing shipping duration by 3 weeks.**
- **The voyage from the Far East to Israel via the Cape of Good Hope is 58% longer than via the Suez Canal.**
- **It would be a mistake to think that this will satisfy the Houthis and their Iranian sponsors. The damage only encourages extending the sanctions to others with ever-increasing demands.**

Red Sea shipping costs up – Suez Canal stand to lose

- The Red Sea is the superhighway to the Suez Canal. Judah Levine, Freightos' head of research, said the Suez Canal sees 50-60 vessels transiting each day for about 19,000 each year, including about 30% of global container traffic.
- For ships heading to Israel from Asia, the route around Africa is significantly longer — about 7,000 nautical miles and 10-14 days — compared via the Suez Canal. This route also incurs higher fuel costs but avoids Suez Canal fees, which are between \$400,000-\$700,000 per transit and are set to increase by 15% in January 2024.
- These attacks have the potential to become far more of a global strategic economic threat than simply a regional geopolitical one.
- The London insurance market has listed the southern Red Sea among its high risk areas and ships need to notify their insurers when sailing through such areas and also pay an additional premium typically for a seven-day cover period.
- War risk premiums have risen last week to between 0.1 per cent- 0.15 per cent to 0.2 per cent of the value of a ship, from 0.07 per cent the week before, according to market estimates.
- Average daily rates for super-tankers, which can carry a maximum of 2 million barrels of crude, have risen to over US\$60,000 a day versus around US\$40,000 a day last month, according to estimates from shipbroker, Braemar.
- The economic losses of the countries in the region are accumulating. Egypt announced a few days ago that during November 2023, 2,264 ships passed through the Suez canal, compared to 2,345 ships in October 2023. This is a decrease of 3.5%. The decrease in the number of ships also resulted in damage to Egypt's revenues from the canal which amounted to \$854.7 million in November, compared to \$880.1 million in October, a decrease of about 3%.

- The damage in November was relatively limited since the Houthi attacks only started in the second half of the month.
- With the escalation registered since the beginning of this month, it seems that the damage to the Suez Canal's revenues will increase in December.
- The Suez Canal is one of the few important sources that bring foreign currency into Egypt and due to the severe economic crisis in which it is mired, this is a worrying development from Cairo's point of view.

Regards

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