

THE ICAT LOGISTICS

# Bottom Line Newsletter



JANUARY 2024 | VOLUME 168

## Red Sea Pirates Plague the Suez Canal

### SUMMARY

*Shipping in the Red Sea is under attack. Houthi rebels based in Yemen are launching missiles and drones at vessels sailing to and from the Suez Canal.*

### BACKGROUND

The Suez Canal is an artificial sea-level waterway in Egypt, connecting the Mediterranean Sea to the Red Sea through the Isthmus of Suez and dividing Africa and Asia. The 120-mile canal is a crucial trade route between Europe and Asia. In 1858, Ferdinand de Lesseps formed the Suez Canal Company to build the canal. Construction of the canal lasted from 1859 to 1869. The canal officially opened on 17 November 1869.

The canal was the property of the Egyptian government. However, European shareholders, primarily British and French, owned the concessionary company, which operated until July 1956, when President Gamal Abdel Nasser nationalized it. The Egyptian government launched construction in 2014 to expand and widen the Ballah Bypass for 35 km (22 mi) to speed up the canal's transit time. The Suez Canal Authority officially opened the new side channel in 2016. This side channel, at the northern side of the east extension of the Suez Canal, serves the East Terminal for berthing and unberthing vessels from the terminal.

Since the war between Israel and Hamas broke out in Gaza in October, some observers have been warning that the localized fighting could erupt into a regional conflict. These warnings seem to have been realized in November when Hezbollah launched rockets into Israel from Lebanon and in December when Iran-backed Houthi rebels in Yemen attacked commercial vessels in the Red Sea. The Houthis have said they are aiming to block Israeli ships from passing through the Red Sea until Israel halts its military operations in Gaza.

### CURRENT STATUS

The Suez Canal is the fastest and shortest route for vessels traveling between Asia and Europe. The Bab al-Mandab Strait - also known as the Gate of Tears - is a channel 20 miles (32km) wide and is perilous to navigate. It sits between Yemen on the Arabian Peninsula, Djibouti, and Eritrea on the African coast. Attacks launched by Yemen's Houthi group on commercial ships at this southern end of the Red Sea have prompted several shipping companies to divert vessels, avoiding a route





THE ICAT LOGISTICS

# Bottom Line Newsletter

that would take them through Egypt's Suez Canal in the north and its link to the Mediterranean Sea. The Red Sea is one of the world's most important routes for oil and fuel shipments.

Major freight firms, including MSC Mediterranean Shipping Co, the world's biggest container shipping line, said they would avoid the Suez Canal as Houthi terrorists in Yemen stepped up their assaults on commercial vessels in the Red Sea. Denmark's A.P. Moller-Maersk has paused all its container shipments through Bab al-Mandab until further notice and has been joined by the French shipping group CMA CGM. As carriers reroute their goods, the Hong Kong-based OOCL and Taiwan-based Evergreen have also temporarily stopped accepting cargo to and from Israel until further notice. The United States and its allies are weighing how to stop attacks on commercial ships in the Red Sea after American and British officials announced that their navies had intercepted one of the largest barrages yet of drones and missiles fired from an area controlled by the Houthis. The Houthis, who have taken over much of northern Yemen since they stormed the Yemeni capital, Sana, in 2014, have been gaining popularity across the Middle East and building regional clout with their attacks in the Red Sea.

## IMPACT

Ship traffic in Egypt's Suez Canal has decreased by 30% since the beginning of 2024. Choosing a route that avoids the Red Sea could impact transit time from nine days to two weeks, depending on the port of origin and destination. Traveling via the Cape of Good Hope adds 10 to 15 percent shipping costs for the additional fuel and increased transit time.

## RESOURCES:

- [Suez Canal](#) (Wikipedia)
- [Who are the Houthis and Why are They Attacking Ships in the Red Sea?](#) (NPR)
- [How Houthi Attacks in the Red Sea Impact Shipping in the Suez Canal](#) (Reuters)
- [Shipping Firms Pause Red Sea Journeys Over Attacks](#) (BBC)
- [Shipping Firms to Avoid Suez Canal as Red Sea Attacks Increase](#) (JPost)
- [Shipping is Halted in the Red Sea and at the Suez Canal](#) (Forbes)
- [Ship Traffic Decreases 30% in Egypt's Suez Canal](#) (Ahram)
- [U.S. and British Forces Fend Off Houthi Attack in Red Sea](#) (NY Times)

