

The 'new normal' in logistics in a changing world

Jan Hoffmann, UNCTAD, studies the reality of supply chain in times of pandemic

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In History we speak of time periods 'before' and 'after' when it is a disruptive event that creates a paradigm shift. We can very well apply that nomenclature when referring to the historical period we are currently living in: the COVID era. From the most basic day-to-day activities to the great forces that move the world economy, nothing and no one have avoided the affection of the virus. Therefore, to talk of a 'new normal' it is necessary to put into context within a time of change. "We are living in a time without precedent, with waves of demand and offer that unbalance the projections that the logistics industry has historically based its operations on," says Jan Hoffmann, Chief Commercial & Logistics Division UNCTAD, during a presentation at the International Logistics and Transport Congress celebrating the 30-year anniversary of CONUDFI, Peru.

In his presentation, the UNCTAD specialist focused on three aspects: Before Corona and the long-term developments; During Corona and the waves of offer and demand; and Post Corona and the future perspectives.

Before Corona

As of 1970, developing countries in the world were exporters of raw materials with a high cargo volume, while in 50 years they have evolved into becoming active participants of the globalized production, forming part of the supply chain from export and import of processed goods and supplies for production, according to data from the Review of Maritime Transport 2020 UNCTAD. This trend has caused a change in the sizes of containerships and the alliances between carriers: fewer shipping lines, less ships but larger in size. This new configuration in the flow of sailings and vessel capacity has forced ports to adapt their infrastructure, projecting investment to service the ever-increasing lengths and drafts, where the largest ships go as much as 20,000 TEU. The Liner Shipping Connectivity Index defines in a way the port's competitiveness. The WCSA trade has important ports that rank high on said index, such as Callao (Peru), Guayaquil (Ecuador), San Antonio (Chile), Buenaventura (Colombia) and Puerto Angamos (Chile). "According to data from Peru's Maritime Profile UNCTAD, the country is above all a user of maritime transport services with an important participation in port traffic," says the UNCTAD specialist, who also highlights the connectivity and the level of use of maritime transport services in Peru, where the port of Callao is a fundamental axis in the WCSA supply chain.

During Corona

All this context is relevant at the time the pandemic irrupted and disrupted the supply chain with its waves of demand that have caused such imbalance -not just in terms of products available, but also related to the industry's capacity and the port's competitiveness to generate a stable and timely flow of cargo for the final user. All the areas related to international trade were impacted, with drops in container flow (-3.2%), dry bulk (-4.2%), Ro/Ro (-12.9%), passengers (-13.9%), gas (-3.6%), wet bulk (-7.1%) and dry breakbulk (-7.4%). Despite the impact of COVID-19, China has managed a 2.5% growth, along with UAE (0.3%) and Saudi Arabia (0.1%) ... while the rest of the world saw a contraction in port calls during 2020. In the WCSA trade Peru stands out with a degrowth of -15.9%, according to figures from UNCTAD by Marine Traffic shared by Hoffmann.

At the start of the pandemic, projections pointed to a global fall in maritime trade of 4.1% for 2020, but by the end of the year that number was 3.6%. "The resilience of the maritime industry is greatly responsible that those projections didn't turn out as bad as initially thought. That

added to the GDP-trade ratio has shifted over time and the increase in inventory made by companies and the favorable imbalance caused by the demand of products over services in times of pandemic," adds Hoffmann.

Post Corona

However, the most significant changes for the maritime transport, logistics and ports industry looking forward have nothing to do with offer-demand or the size of ships, frequency of port calls or the economies of scale that can be achieved product of vertical integration. No. The permanent changes and the new paradigm forged by COVID-19 is digitalization, the technological advances and their application to make operations more efficient, added to the environmental consciousness (carbon emissions). "[in the case of the WCSA trade] Peru shows positive indicators of logistics efficiencies, including the implementation of the WTO facilitation agreement and port modernization," says the expert, who also highlights that ports in the trade route have high potential to seize the opportunity that COVID-19 presents for taking the leap into higher competitiveness.