

MORNING TRADE UK



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By GRAHAM LANKTREE, SEBASTIAN WHALE and EMILIO CASALICCHIO

with Matt Honeycombe-Foster

SNEAK PEEK

- **The fallout from Russia's invasion of Ukraine is set to pump up** global shipping rates.
- **Chip shops will feel an even tighter squeeze** once the Ukraine crisis puts the brakes on imports of whitefish.
- **The ban on Russian oil imports** has given British manufacturers the willies.

Good morning and welcome to Morning Trade UK. Send tips, suggestions or encouragement via glanktree@politico.co.uk, ecasalicchio@politico.co.uk and swhale@politico.co.uk | Follow us on Twitter: [@g_lanktree](https://twitter.com/g_lanktree), [@e_casalicchio](https://twitter.com/e_casalicchio) and [@sebwhale](https://twitter.com/sebwhale). | Signal/WhatsApp: 07522122775, 07834782961 and 07734854417.

DRIVING THE DAY

HERE WE GO AGAIN: The Russian invasion of Ukraine and the U.S. and British bans on Russian oil are set to pump up global shipping rates still inflated in the wake of the pandemic.

Cover ears: Businesses in the U.K. are warning that sky-high ocean freight fees are already driving record inflation, and experts say it's likely to get worse — throwing cold water on the economic recovery.

Just when you thought it was safe: Shipping and logistics giant Maersk [has warned](#) customers that the conflict will have a “global impact” as sanctions on Russia and knock-on effects of the war on supply chains and commodities bite. Some [analysts reckon](#) global shipping rates could triple.

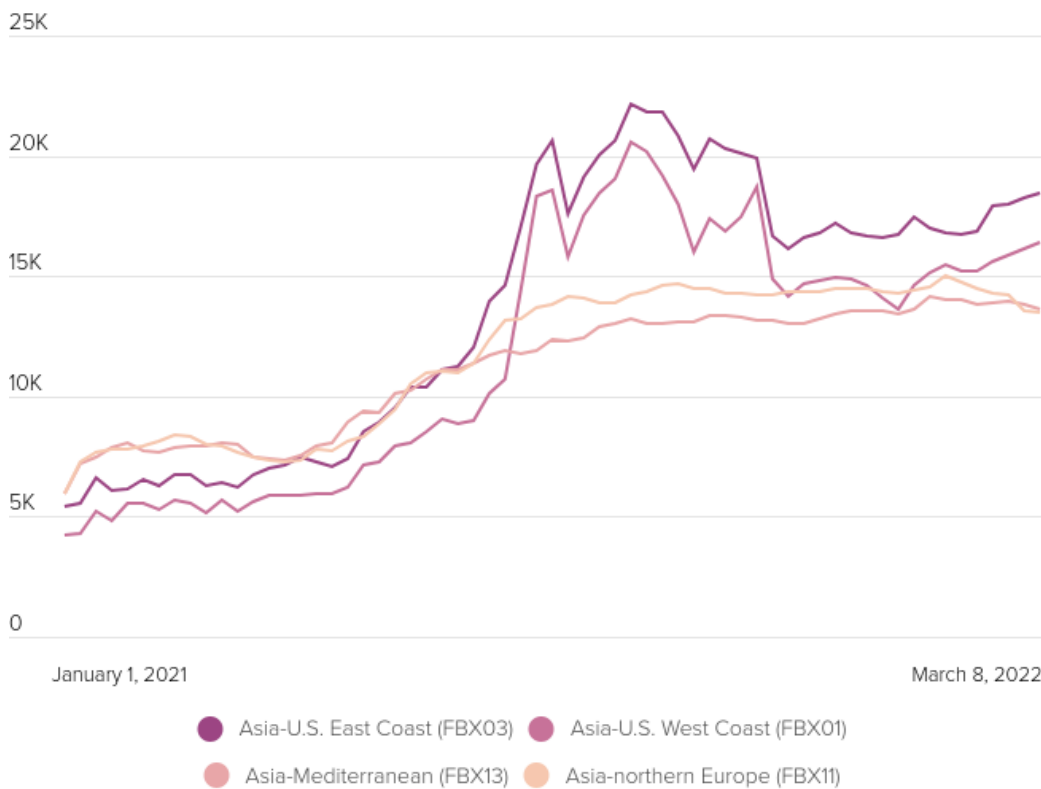
Almost visible: The conflict hasn't filtered through to shipping costs from Asia to the U.K. and Europe yet, but “geopolitical risks associated with shipping are huge,” said supply chain expert Anna Nagurney, Eugene M. Isenberg chair in integrative studies at the University of Massachusetts. Gas price rises are, she said, already beginning to bite.

Pandemic platform: Shipping costs from Asia to northern Europe jumped more than 800 percent in the two years between the start of the pandemic and the beginning of March, [driven by port congestion](#), shipping container supplies and capacity issues.

Russian addition: These underlying COVID-related supply chain problems will “likely be exacerbated” by bans on Russian oil, said Lawrence Ward, a partner at law firm Dorsey & Whitney and former member of the U.S. State Department’s Defense Trade Advisory Group.

OCEAN FREIGHT RATES FROM ASIA

The chart below shows the cost of a 40-foot container in dollars, since the beginning of 2021. Following Russia's invasion of Ukraine, analysts expect the costs of ocean freight rates from Asia to Europe to grow.



SOURCE: Freightos Baltic Index

By Arnau Busquets Guàrdia

POLITICO

Under pressure: Expect “increased fuel costs passed on to shippers as oil prices climb,” warns Judah Levine, head of research at logistics data firm Freightos Group. The price of bunker fuel used in ocean shipping [is up in major ports](#) globally.

Loooong waits: Additionally, delivery times for products coming from Asia to Europe are expected to see an additional 20 days tacked on over the next two months, according to Tomas Formanek, the founder of inventory tool Inventoro, which tracks delivery times.

Price point: Lack of stock and increasing delivery times mean retailers and suppliers “can’t satisfy customer demands,” he said — hitting their revenues. All these factors “will impact retail prices,” he said, as shipping makes up 10 percent of retail costs on average.

QUICK HITS

SCOOP: The U.S. and U.K. are gearing up to announce a new trade forum to talk trade opportunities. Trade Secretary Anne Marie-Trevelyan is heading to the U.S. for an event in Baltimore on May 21 for the U.S. part of the forum, with a visit from U.S. Trade Rep Katherine Tai to London expected soon after.

WIN FOR SCRUTINEERS: Parliamentarians are claiming victory over the government after it promised more powers to scrutinize trade deals. Ministers agreed to consolidate various commitments that have been made and set them in writing. [Full writeup here.](#)

WHAT THE FRACK: Business Secretary Kwasi Kwarteng appeared to leave the door open to lifting a ban on fracking for shale gas after the U.K. announced a phase-down of Russian oil imports. He told the House of Commons the government will accept shale exploration if the practice is deemed safe. More from the Commons [here.](#)

AMPED UP FOR AMT: Transport Minister Robert Courts [LOVED](#) his visit from Anne-Marie Trevelyan and the Board of Trade in Barrow. Shame Tony Abbott didn’t make it.

MORE SHIPS PLEASE: Boris Johnson is visiting a Merseyside dockyard today to announce a £4 billion boost to the U.K. shipbuilding sector.

PEOPLE MOVES: The trade department’s Chief Economist Richard Price is moving to the Ministry of Justice. More [here.](#)

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AGENDA

SLICKERS: G7 energy ministers meet today to work out how global oil markets can plug the gap following the announcement of a U.S. and U.K. ban on Russian imports.

GULF IN RIGHTS: The Trade Justice Movement is holding the latest in its series of seminars — this time looking at the hoped-for Gulf Cooperation Council deal and the terrible human rights record in the region. It kicks off at 1 p.m. Register [here.](#)

BORDER THIS: Global Counsel is presenting the findings of its new in-depth research about the U.K. border based on the experience of importers and exporters. That one also kicks off at 1 p.m. Register for it [here](#) and check out the report [here.](#)

FISH OUT OF WATER

OUT OF THE FRYER: From fish fingers to tinned tuna, batter to breadcrumbs, the war in Ukraine has far-reaching consequences for Britain's chippies and seafood processing industry.

What's the deal? Roughly 30 percent of the U.K.'s whitefish imports (think cod, haddock) originate from Russia, which controls 45 percent of the global supply thanks to the Barents sea.

What's up, dock: Industry body Seafish said it's already seeing trade disruption, with the U.K. restricting Russian vessels from docking in Britain, while freight companies are choosing not to enter Russian ports, all of which will start to hit supplies.

What's at stake: Whitefish stocks in Britain will start to dwindle and prices will start to rocket.

Battered: But it's not just expensive fish that could hit chippies. Disruption to supplies of Russian and Ukrainian wheat will affect the batter and breadcrumbs used by fish and chip shops and in frozen fish products (think fish fingers) on supermarket shelves.

Meanwhile: Ukraine is the main global producer of sunflower oil, used in frying, and the conflict could also have an impact on tinned mackerel and tuna.

Fishy business: All this comes at a terrible time for Britain's fish and chip shops, which already faced high fish prices as a result of [haddock shortages](#), not to mention skyrocketing energy bills, staff shortages and the looming VAT increase further squeezing tight margins.

By hook or by Crook: Andrew Crook, president of the National Federation of Fish Friers, had estimated before the Ukraine crisis that more than a third of Britain's fish and chip shops could go out of business over the next 12 months. "We're probably looking higher now," he told MTUK.

Options: He said countries will increasingly look to Iceland and Norway to diversify supply, and said the U.K. could consider alternative products like Alaskan pollock and locally-sourced hake — although noted there is not enough of the latter to solve the problem.

A U.K. government spokesperson said: "We recognise hardworking businesses in the U.K. seafood industry will be thinking about the effects of rising costs and impacts of sanctions, and are working with the sector to understand the challenges they may face."

FUEL'S GOLD

OIL SPILLS INTO INDUSTRIES: The looming ban on Russian oil imports announced this week will add to the costs facing already-squeezed British manufacturers, chiefs from trade group Make UK have warned.

Knock-on woes: "We don't import a huge amount of energy from Russia directly," Seamus Levin, the chief economist for the group told our POLITICO's colleague Matt Honeycombe-Foster. "But most of our continental partners do. If they're scrambling around for new energy sources that's likely to lead to wholesale price increases for us as well. So there will be knock-on effects."

So raw it hurts: Raw metals, particularly of the precious kind, are another casualty of the conflict's trade disruption. Nickel and platinum "come almost exclusively" from Russia, Levin added, and

engine parts used for planes and cars “need to be made to a particular spec,” with highly-specialized components needing exact kinds of metals.

The bottom line: If those can’t be sourced, the parts can’t be made — and even a missing nut or bolt has the potential to lead to entire factories having to down tools.

Endless headaches: There are countless individual products and resources that are at risk of taking a hit from the Ukraine war. Ukraine produces about 70 percent of the global neon gas exports, which is crucial in semiconductor production, according to [economist John Maudlin](#). Two-thirds come from a single factory in Odesa, which if stopped could leave global chipmakers with about two months of supplies.

Danker outlook: Make UK is not alone in raising the red flag. The Confederation of British Industries urged the government to target new trading partners to ensure supplies of minerals and commodities. “The demand for these resources will not wane and we are competing globally,” said CBI boss Tony Danker.

He added: “We need to open up new trade alliances around the world to have far more resilient supply chains.”

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