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Maritime trade resilience: An Australian perspective

by Nicola Palmer

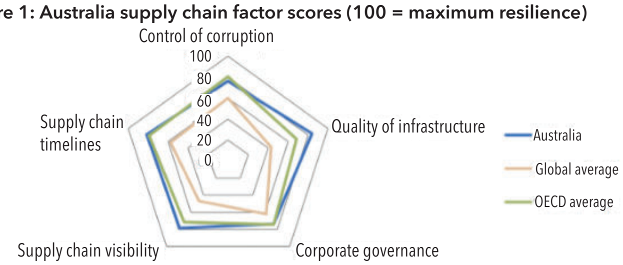
History shows us that maritime commerce can be maintained in the face of great disruption, and Australia is no exception.

While shipowners are constantly seeking to move goods along routes that minimize cost, time, distance and risk, if frustrated along one path – whether it be due to social, political or economic obstacles – they'll seek the next most efficient route.

We've witnessed the Australian supply chain experience significant disruptions in the past due to geopolitical tensions and global trade wars, highlighting the vulnerabilities inherent in the country's reliance on global shipping. But while there are potential risks posed by current and future tensions, there are also opportunities – particularly relative to other nations.

Australia's relative maritime advantages include its lower supply chain risks, which have positioned it well relative to other nations. The country's robust institutions, regulations and policies ensure it can navigate and respond to adverse events (See Figure 1).

Figure 1: Australia supply chain factor scores (100 = maximum resilience)



Source: 2023 FM Global Resilience Index

However, the disruptions that Australia has experienced in its maritime trade supply chain have primarily been felt through the disruption of shipping routes, fluctuations in shipping costs, onshoring of supply chains, geographical shifting of manufacturing capabilities, and the need for shippers to reassess risk management strategies.

As trade policies change or political conflicts intensify, shipping companies must adjust by rerouting vessels, complying with new regulations, lobbying, or even avoiding certain regions altogether.

For Australia, these shifts mean adapting to new patterns in export destinations, strengthening alternative trade partner relationships, providing government support, changing shipping costs, and ensuring that the nation's trade routes remain secure and accessible.

Recent disruptions and their impact on the Australian supply chain

Some of the key events impacting Australia's maritime trade in recent years include:

- **The U.S.-China Trade War (2018-2020):** The escalating trade war between the U.S. and China and the imposition of tariffs and counter-tariffs had immediate ripple effects on global trade, forcing Australian exporters to navigate fluctuating demand and supply chain adjustments.
- **COVID-19 Pandemic (2020):** While not directly related to geopolitical conflict, this pandemic was a profound disruption to global supply chains that highlighted the interconnectedness and fragility of international trade, especially in maritime transport.
- **The Russia-Ukraine War (2022–Present):** The ongoing conflict has had a profound impact on global shipping, particularly in energy markets and grain exports. Although Australia is geographically distant from the conflict, the war's impact on global commodity markets has indirectly affected Australian exports. For instance, disruptions to Ukrainian grain exports increased global demand for Australian wheat, putting pressure on Australian ports and shipping infrastructure to meet surging export levels. At the same time, global shipping routes were impacted by Russia's military actions in the Black Sea.
- **The 2025 Global Trade War:** Most recently, the Trump administration's implementation of a series of tariffs has sparked a global trade war as countries respond with their own counter measures. While this would weigh heavily on the global economy, Australia would fare comparatively better given the small direct trade exposure to the U.S. In 2024, the U.S. comprised 4.6 percent of Australia's exports, with aluminum and steel comprising 0.08 percent respectively (the U.S. imposed a 25 percent tariff on all aluminum and steel imports). The Reserve Bank of Australia also modeled the impacts of how a 10 percent tariff on all Australian goods would impact the economy, which amounted to a 0.1 percent direct impact to GDP .

Lessons from previous disruptions

The disruptions experienced by the Australian supply chain during past and current geopolitical tensions have illustrated several key mechanisms of impact and areas to bolster resilience.

Whether through shifting trade policies, military conflicts or global health crises, geopolitical tensions have underscored the need for Australia to develop more resilient, adaptable and diversified supply chain strategies.

Port of Melbourne

The ongoing geopolitical landscape suggests that Australian businesses must continue to assess risks, improve contingency planning, and remain agile in responding to new challenges in the global shipping environment.

Key areas of maritime resilience to focus on are:

Rerouting and supply chain diversification	In response to disrupted trade routes or changes in trade policies, Australian exporters have often had to adjust by seeking alternative markets or adjusting shipping schedules.
Increasing shipping costs and delays	Rising costs and unpredictable delivery schedules have particularly impacted industries that rely on "just-in-time" inventory systems, such as manufacturing and retail, necessitating a need to move to a "just-in-case" mindset.
Impact on trade volumes and market access	Disruptions in key trade relationships, whether due to tariffs, sanctions or military conflicts, have the potential to shrink or re-orient export markets for Australian products. This has highlighted the importance for exporters to better adapt to changing terms of trade.

Navigating future intervals of trade uncertainty

As not only Australia, but the world, prepares to move into a period of volatility driven by uncertainty of supply chains and political ambiguity, investment flows will remain on the side lines until a state of normality is achieved. Given tariff implementation has not been applied within policy frameworks, the impacts and outcomes for the future remain difficult to foresee. Key themes to watch include:

- The impacts of inflationary pressures in this time of uncertainty remain unpredictable. Despite many predictions noting increases to forecasted inflation within the U.S., a potential deflationary impact in markets outside the U.S. could develop. This will be driven by countries that are a beneficiary of relatively cheaper imports (potentially Australia), affording them with an opportunity to capitalize on new tariff-driven supply chain flows — offset by a negative exchange rate impact. Given the volatility in the U.S. dollar exchange rate, the cost of global imports is constantly changing, meaning the "offset" effects from emerging shifts in the supply chain will be challenging to interpret and act on accordingly.
- Continued volatility in trade flows is expected to be an ongoing theme while businesses adapt to the changing macroeconomic environment. There has been a sharp uplift of shipping vessels depositing cargo within the borders of the U.S. as businesses try to stockpile inventory before the full effect of predicted tariffs is felt. Within Australia, projects may be delayed in the short term as vessels are diverted away from the country to satisfy the temporary increase in demand caused by stockpiling. This is expected to ease when a more mature view on tariff implementation is obtained.
- New trade corridor creation is a possible outcome of the permanent tariff implementation in the medium to long term after volatility and uncertainty reduces. We are currently starting to see this trend emerge with Japan's Ocean Network Express canceling a service from Asia to the West Coast of North America that was due to start operating from May 25. If new corridors and shipping hubs are required in the future, it creates an opportunity for private equity providers and financiers to provide capex to facilitate the expansion.
- Global investment largely has remained on the sidelines (driven by uncertainty around forecasting), as market participants face the risk of compressed margins (partial tariff absorption), revised sales estimates (potentially beneficial or disadvantageous) and preparing for a possible period of reduced consumption.
- Australia is well positioned to become a potential safe haven, as U.S. domestic investment may be hindered through the consequences of the volatility in the U.S. dollar, increased cost of investment and uncertainty within markets.

The maritime industry is highly vulnerable to the ebb and flow of global geopolitical tensions. For Australia, the consequences of such tensions — ranging from trade disruptions to rising costs — necessitate a strategic approach to navigating an increasingly complex and uncertain global landscape. Understanding and mitigating these risks will be key for ensuring the continued success of Australia's maritime trade in the face of geopolitical challenges.

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