Balancing imbalance

The significant trade imbalance affecting international transportation companies has been reported and reviewed countless times. Imports are up and exports are down. While many modes have been affected, liner shipping companies in the trans-Pacific trades seem to have been especially hard hit.

Recently there has been a series of earnings announcements that ranged from merely disappointing to truly disastrous. The lack of adequate revenue is thrusting lines into an unknown cataclysm. One aspect of this situation merits closer consideration.

The current traffic imbalance is for the most part caused by macroeconomic forces. As a result of the devaluation of Asian currencies against the U.S. dollar, imports are much cheaper than they have been.

Conversely, U.S. exports are too expensive and they lose market to similar commodities from countries with relatively cheaper currencies. (Remember: many imports were constantly priced in U.S. dollars so currency fluctuations merely represent a windfall profit to the overseas manufacturer. Import demand is more a function of anticipated consumer demand rather than an attempt to arbitrage currency variations.)

The current ship-line losses are also the result of microeconomics. Supply and demand are simply not in equilibrium.

Some of this is the result of the macroeconomic forces, but much of the problem has been caused by new, larger ships having been introduced into the trades.

Some would argue that the large vessels recently delivered have not been introduced into the trans-Pacific and seem to have been concentrated in the Asia-Europe trade. Nevertheless, their deployment has freed capacity that has entered other trades, like the trans-Pacific.

And carriers in the trans-Pacific export trade have done little to help themselves. Steamship lines are acting like lemmings, those small animals with a built-in biological response to overpopula-