

Economic Impacts of the blockage of the Suez Canal: an Analysis by IDE-GSM

Toshitaka GOKAN, Satoru KUMAGAI, Kazunobu HAYAKAWA, Kenmei TSUBOTA, Ikumo ISONO, Souknilanh KEOLA, and Hiroya KUBO

Abstract

This study investigates the magnitude and spatial distribution of the economic impacts arising from the Suez Canal blockage, distinguishing between negative and positive effects. We employ a computable general equilibrium (CGE) model based on spatial economics, incorporating detailed geographical and logistical parameters at the sub-national level. Our estimates indicate that annual net negative impacts of the blockage totaled 79.6 billion USD for the world or 0.1% of the world's GDP. However, the substantial negative impacts (291.5 billion USD) were partially offset by positive impacts (211.9 billion USD). This shows a great resilience of the world economy, where offsetting effects naturally emerge across countries and sectors. Among the countries, China was the most negatively affected by the Suez Canal blockage in terms of value (−73.0 billion USD), followed by India (−26.2 billion USD) and Israel (−20.4 billion USD). The EU also experienced a substantial collective loss (−72.9 billion USD). However, some countries benefited from the disruption, including the US (59.9 billion USD), Japan (32.0 billion USD), Brazil (20.0 billion USD), and Australia (18.2 billion USD). These results demonstrate that a blockage at just a single point along a major sea route can have substantial adverse economic impacts worldwide.

Keywords: Suez Canal, IDE-GSM

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