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## Andrew Craig-Bennett on globalisation

[Andrew Craig-Bennett](#)

March 6, 2025



### Modern Terminals

The editor (whom God preserve!) is of the opinion that CK Hutchison's sale of their ports and terminals operation to a consortium of BlackRock and MSC marks the end of globalisation as an idea which rules our thinking on trade in general and trade by sea in particular, and that the tariffs just introduced by the United States mark the start of a very different set of ideas about trade between nation states. (Ed. Note: Yes, I do, albeit maybe for just another 1,200 days or so.)

I am of the contrary opinion. I think free trade, or at any rate WTO trade, will beat tariffs.

This matters. There are a lot of containerships on order – some are replacements for hard worked old ladies, but many represent net additional teu slots. Will they have a market, or will their unfortunate owners lay them up in rafts in fjords, like tankers in the early Eighties?

There are, I think, two sorts of tariffs.

*The whole of the rich world is moving in the direction of Hong Kong because of globalisation*

There are tariffs imposed on imports by nations which are building up manufacturing industry and who don't want their small, new, manufacturers competed to death by giant corporations in other places. Ghandi's promotion of cotton spinning in India might be one example, and another one might be the United States of America at the end of the 19th century.

The other sort of tariffs are tariffs imposed on imports by nations which have a higher standard of living, higher costs, and who seek to protect their manufacturing industry by raising the costs of imports to their domestic level. An example might be Joseph Chamberlain's Tariff Reform and Imperial Preference policy in Britain at the end of the 19th century.

Sitting between these two we will find the nations with a low cost of manufacturing, who will want free trade. Examples are Britain from 1845 to 1900 and China today.

The first sort of tariff is imposed in what we may think of as a 'scientific' manner by experts sitting on committees and examining evidence. "What level of tariff will make a kettle, or a PC, made in this country, competitive with the imported version?" These tariffs will try to exclude components not made in the country, and they will be as voluminous and as complex as a tax code or a liner conference rate book (if anyone can remember what one looked like!)

The second sort of tariff is talked about by popular politicians and promoted as a means to keep their voters in the jobs that they are used to. They are simple broad-spectrum tariffs because they are what the voters understand. The elephant in the room is that the voters like to buy cheap stuff, but they want to have a good job so they can buy the cheap stuff.

Is it possible to have no tariffs even if you don't make all sorts of stuff? Yes, certainly – look at Hong Kong. But nobody ever does. Hong Kong lives on re-exports and on invisibles. Having said which – the whole of the rich world is moving in the direction of Hong Kong...because of globalisation.

There is no doubt – even economists who never see the sea say this – that the chief instruments of globalisation are the internet and the ISO container. These two things together mean that it is possible to take bids to make a component to a precise specification, select the lowest cost conforming bid, order and pay for the widget and have it sent to wherever it will be assembled into a bigger unit. We do this all the time. It is the basis of the modern automobile industry and the modern aircraft industry and most certainly the modern shipbuilding industry – and almost all manufacturing.

Almost 30 years ago, the president of a big container line practically bounced into my office, grinned broadly, and said, "I've just discovered that more than half of our cargo moves on waybills!" He was extremely happy about that – and he was a highly intelligent man – because it told him that we had integrated ourselves into manufacturing processes around the world. There was, he thought, no possibility of going back. He also thought – and he was quite right – that the container shipping business was going to expand faster than the growth in recorded trade, because components could move by sea more than once, as successive operations were performed on them. The Mini gearboxes which cross the English Channel three times would have delighted him.

The presiding deity of globalisation is David Ricardo. Alas, his theory of comparative advantage is not at all self-evident. Even economists argue about it. Voters don't understand it – we need only look at the food miles business to see how hard it is for people to understand it.