



# Middle East tensions raise supply chain, logistics cost concerns

While fears around a complete shutdown of the Strait of Hormuz primarily raise concerns around oil prices and energy security, recent history shows that even partial disruptions or security threats along key sea routes can quickly spill over into freight inflation, longer transit times and working capital stress for exporters and importers.

In a new draft guidance, the FDA proposes major updates to simplify biosimilarity studies and reduce unnecessary clinical testing. The agency through a separate initiative also plans to make it easier for biosimilars to be developed as interchangeable with brand-name biologics, helping patients and pharmacists choose lower-cost options more easily.

Rising tensions in the Middle East following attacks by the US and Israel on Iran are expected to disrupt trade flows, push up freight and insurance costs, delay cargo shipments, and drive a surge in global oil prices.

Air routes are being altered, and maritime trade through the Red Sea and key Gulf straits face heightened uncertainty. If diversions become prolonged, shipments may increasingly have to reroute via the Cape of Good Hope, adding an estimated 15-20 days to transit time for Europe and the United States.

The Strait of Hormuz is considered the world's most strategically important oil transit bottleneck, according to the US Energy Information Administration (EIA). Such chokepoints are narrow maritime corridors along key global shipping lanes through which large volumes of energy supplies move every day. Any disruption, even temporary, can delay cargoes, drive up freight and insurance costs, and trigger spikes in international oil prices. While tankers can sometimes reroute, alternative passages typically involve longer sailing times and higher expenses. In certain cases, there are no viable substitutes. In the same neighbourhood, the Bab el-Mandeb strait, which connects the Red Sea to the Gulf of Aden, is already facing pressure from attacks by Yemen's Houthi movement.

### Reference:

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