

LOGICAL REASONING SET-3, CLAT 2025

PASSAGE: The U.N. trade body, UNCTAD, issued a warning on January 25, highlighting disruptions in global trade due to Red Sea attacks, the Ukraine war, and low water levels in the Panama Canal. Shipping costs have surged, impacting energy and food costs, raising inflation risks. Yemen's Houthi rebels' attacks in the Red Sea prompted a temporary halt in using the Suez Canal, a crucial route for Asia-Europe trade. In 2023, the Suez Canal handled 12-15% of global trade, but UNCTAD estimates a 42% drop in trade volume over the last two months. Houthi attacks, coupled with geopolitical tensions and low water levels in the Panama Canal, intensify challenges for shipping companies. December transits through the Panama Canal were 36% lower than a year ago, impacting global trade, particularly for developing countries. The Red Sea crisis disrupts grain shipments, affecting regions like East Africa and Asia heavily reliant on wheat imports. Early 2024 data show over 300 container vessels, more than 20% of global capacity, diverting from the Suez Canal, opting for the longer Cape of Good Hope route. Liquefied natural gas shipments have ceased Suez Canal transit due to attack fears. Container shipping spot rates from Shanghai surged significantly, with rates to Europe up by 256%, U.S. west coast by 162%. Hoffmann emphasizes the global impact as ships seek alternative routes, avoiding the Suez and Panama Canal. The multifaceted crisis underscores vulnerabilities in the global supply chain, affecting trade dynamics on a global scale.

SOURCE: <https://www.thehindu.com/news/article67779177.ece>

1. What weakens the argument that the disruptions in the Suez Canal are the primary factors contributing to the surge in container shipping costs?
 - (a) The article mentions that liquefied natural gas shipments have ceased Suez Canal transit.
 - (b) The December transits through the Panama Canal were significantly lower than a year ago.
 - (c) Over 300 container vessels, more than 20% of global capacity, are diverting from the Suez Canal.
 - (d) The surge in container shipping spot rates from Shanghai.

2. **Assumption:** The surge in container shipping costs is primarily attributed to the disruptions in the Suez Canal.
 - (a) True, as suggested by the article's emphasis on alternative routes and increased shipping costs.
 - (b) False, as the article does not provide information about the specific factors contributing to the surge in container shipping costs.
 - (c) True, because liquefied natural gas shipments have ceased Suez Canal transit, leading to increased shipping costs.
 - (d) False, as the article mentions geopolitical tensions and the war in Ukraine as additional factors contributing to disruptions.

3. What is the predominant tone of the article?
 - (a) Optimistic, highlighting the resilience of shipping companies in finding alternative routes.
 - (b) Neutral, presenting factual information about global trade disruptions without expressing a particular attitude.
 - (c) Pessimistic, emphasizing the significant challenges and risks posed by the Red Sea crisis on global trade.
 - (d) Ambiguous, not providing a clear stance on the potential outcomes of the global trade disruptions.

4. What strengthens the argument that the Red Sea crisis is causing significant disruptions in global trade?
 - (a) The surge in shipping costs, impacting energy and food costs, as mentioned in the article.
 - (b) The article mentions that liquefied natural gas shipments have ceased Suez Canal transit.
 - (c) Over 300 container vessels, more than 20% of global capacity, are diverting from the Suez Canal.
 - (d) The reduction in container vessels diverting from the Suez Canal, indicating a minimal impact.

5. What is the most suitable course of action to address the disruptions in global trade mentioned in the article?
- (a) Invest in improving security measures in the Suez Canal to mitigate the impact of Houthi attacks.
 - (b) Implement alternative trade routes to reduce dependence on the Suez Canal.
 - (c) Increase container shipping rates to compensate for the increased costs.
 - (d) Ignore the Red Sea crisis and focus on resolving other geopolitical tensions.
6. **Inference:** The Red Sea crisis has resulted in a reduction in the volume of trade going through the Suez Canal.
- (a) True, as indicated by the temporary halt in using the Suez Canal and the shift to alternative routes.
 - (b) False, as the article does not provide information about the specific impact on the volume of trade.
 - (c) True, because liquified natural gas shipments have ceased Suez Canal transit, affecting trade volume.
 - (d) False, as the article does not mention any change in the volume of trade going through the Suez Canal.



Answers and Explanation

1. **Answer:** D

Explanation: The surge in container shipping spot rates from Shanghai suggests that factors other than disruptions in the Suez Canal might be contributing to the increase in container shipping costs.

2. **Answer:** A

Explanation: The article emphasizes alternative routes and increased shipping costs, implying a connection between disruptions in the Suez Canal and the surge in container shipping costs.

3. **Answer:** C

Explanation: The consistent emphasis on disruptions, challenges, and risks associated with the Red Sea crisis creates an overall pessimistic tone regarding the current state of global trade.

4. **Answer:** A

Explanation: The surge in shipping costs is a tangible consequence of disruptions in global trade, directly supporting the argument that the Red Sea crisis is causing significant disruptions.

5. **Answer:** B

Explanation: The article highlights the diversions from the Suez Canal as a response to the Red Sea crisis. Implementing alternative trade routes can help reduce dependence on vulnerable routes and mitigate the impact of disruptions.

6. **Answer:** A

Explanation: The temporary halt in using the Suez Canal and the shift to alternative routes suggest a reduction in the volume of trade going through the Suez Canal, supporting the inference.