

# Comm dept asks FinMin to maintain credit flow to exporters

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The commerce department and the finance ministry on Wednesday discussed maintaining credit flow to Indian exporters grappling with higher trade costs due to the crisis in the Red Sea, said a senior government official.

The discussion took place during an inter-ministerial meeting chaired by the Commerce Secretary Sunil Barthwal and aimed at finding measures to tackle the impact on trade.

“There were discussions on how things can be improved in this area. We have told DFS (finance ministry’s department of financial services) to monitor to ease bank credit and credit flow is maintained to the exporters,” said the official.

That apart, the shipping ministry was asked to monitor the volume of trade at major ports. “We are closely monitoring the situation. We are closely monitoring the inputs from relevant ministries,” the official said.

While the defence ministry will focus on improving surveillance in the Red Sea region, the external affairs ministry is holding diplomatic negotiations with Iran on the crisis.

Indian officials believe that the situation isn’t “alarming” as of now, although ships taking a longer route than the Red Sea has escalated freight costs.

The commerce department on Monday said that attacks by Houthi rebels on commercial shipping vessels in the lower Red Sea has resulted in a combined impact of higher freight costs, insurance premiums, and longer transit times. The impact can make imported goods “significantly more expensive”.

The Red Sea is vital for 30 per cent of global container traffic and 12 per cent of global trade. Nearly 80 per cent of India’s merchandise trade with Europe passes through the strait. Almost 95 per cent of vessels have rerouted around the Cape of Good Hope in recent weeks, adding 4000 to 6000 nautical miles and 14 to 20 days to journeys.