

## GOVT KEEPS EYE ON RED SEA DISRUPTION

# Ocean freight 10% costlier, shippers brace for further setback

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Indian shippers are bracing for rising costs and increased vigilance as geopolitical conflicts have prompted an increasing number of shipping lines to avoid the Red Sea. Iran-aligned Yemeni Houthi militant group said it launched a drone attack on a cargo vessel in the area on Monday, the latest in a series of such strikes that it says are a response to Israel's assault on the Gaza Strip. About 12 per cent of world's shipping traffic transits via the Suez Canal, the shortest shipping route between Europe and Asia.

A senior official with the Directorate General of

Shipping said the Centre was constantly monitoring the situation and had been issuing advisories for the safety of seafarers.

"All company security officers and masters of vessels are advised to be extra cautious, follow the practices, and take necessary precautionary measures," the regulator said in a circular, seen by *Business Standard*, earlier this month.

According to industry estimates, ocean freight rates are up about 10 per cent as compared with last month.

"As this is an arterial route, the attacks pose a clear threat leading to disruption in the global supply chains once again. The world is just about recovering from a

series of disruptive events, including the pandemic-inflicted lockdowns, the Russia-Ukraine war, followed by the Gaza conflict," a representative for the All India Liquid Bulk Importers & Exporters Association (AILBIEA) told Business Standard. In the past few days, four of the five world's largest container shipping companies — Maersk, MSC, CMA CGM Group, and Hapag-Lloyd — have paused or rerouted movements through the Red Sea.

Oil major BP on Monday temporarily paused all transits through the Red Sea, a sign the crisis — which has mostly affected goods freight until now — might include energy shipments. Crude oil

### TAKING COVER

■ **30%** Global container traffic moves through the Red Sea route

■ Maersk, MSC, Hapag-Lloyd have **suspended operations** in the region

■ Oil giant **BP paused all shipments of oil** through the Red Sea, which is a conduit for 12% of global trade

■ Brent **crude prices rose** up to 2.8% to trade above \$78 a barrel

Photo courtesy: BBC

prices rose on those concerns on Monday. Norway-based oil tanker group Frontline also said its vessels



would avoid passages through the Red Sea and the Gulf of Aden in the time ahead. All ships transiting

the Suez Canal have to sail through the Red Sea and the Gulf of Aden. "If attacks escalate, there is a risk the

Suez Canal may be closed. Most of the ships transiting the Suez Canal carry goods destined for Europe or the US, while good trade between Asia and Europe moves through the canal," the AILBIEA said.

According to trade associations, there may not be an immediate impact, since ships would have exited that route. Going ahead, however, there may be a 'temporary disruption' due to additional voyage time as ships will have to take the longer route via the Cape of Good Hope.

India uses the Red Sea route to send shipments to some parts of Asia, such as Egypt as well as Northern Europe, to countries such as the Netherlands that may get

impacted to some extent.

"As of now, there is no disruption to trade. There could be disruption if ships have to move via the Cape of Good Hope (South Africa). If the situation persists, exports of items such as petroleum products and machinery may get affected," Ajay Sahai, director-general and chief executive officer, Federation of Indian Export Organisations said.

"There is no specific information as yet about the fate of Indian goods to Europe or vice versa. The situation is evolving constantly," the AILBIEA said.

London's marine insurance market has widened the area in the Red Sea it deems as high risk amid a surge in attacks on commercial ships.

With inputs from Shreya Nandi