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EDITORIAL ANALYSIS

Talk Tariffs, But Understand Ocean Freight

BUSINESS STANDARD

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Talk Tariffs, But Understand Ocean Freight

Business Standard 31 May 2026 **GS3**

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INTERVIEW ANGLE

"India has built world-class ports but its logistics costs remain high. Is the bottleneck infrastructure, or the absence of predictable, high-volume cargo to fill it?"

Tariff concessions in trade deals matter less than India assumes, because volatile, high ocean-freight, insurance and surcharges can wipe out tariff gains for margin-sensitive exports. India must shift focus from "capacity creation" to "cargo creation" — larger predictable volumes, coastal feeder services and faster inland evacuation.

THE ARGUMENT IN ONE LINE

For exporters, **the freight bill, not the tariff line, often decides competitiveness** — so India's trade strategy must obsess less over tariff concessions and more over **reliable, low-cost movement of cargo**.

WHY TARIFFS CAN BE A MIRAGE

- A trade deal might cut a tariff by a few percentage points.
- A **single freight-rate spike or surcharge** (fuel, congestion, war-risk insurance) can **erase that gain** for a low-margin product.
- So the **landed cost** — tariff + freight + insurance + inland transport — is what truly matters.

INDIA'S REAL BOTTLENECK

ISSUE	DETAIL
High logistics cost	Logistics costs remain a high share of GDP versus advanced economies
Capacity vs cargo	India has built port capacity (Sagarmala, new terminals) but lacks predictable cargo volumes
Transshipment dependence	Much Indian trade is routed via foreign hubs (Colombo, Singapore) , adding cost and time
Slow inland evacuation	Fragmented road-rail movement from factory to port

THE SHIFT — “CAPACITY CREATION” TO “CARGO CREATION”

The editorial's core insight: building bigger ports is not enough. India needs to **create predictable cargo volumes** that justify **direct shipping services**.

- **Aggregate export volumes** so shipping lines deploy regular direct calls.
- Build **domestic transshipment hubs** — **Vizhinjam** (operational) and the upcoming **Vadhavan** port — to capture transshipment now lost to Colombo/Singapore.
- Expand **coastal and feeder shipping**.
- Compress inland evacuation via **PM Gati Shakti** and the **National Logistics Policy (2022)**.

WHY IT MATTERS

- India aims to be a **major export economy**; logistics competitiveness is decisive.
- **Atmanirbharta in transshipment** keeps value (and strategic control) within India.
- Lower logistics costs benefit **MSME exporters** the most.

UPSC RELEVANCE

PAPER	RELEVANCE
GS3	Infrastructure, logistics, trade competitiveness, ports
Prelims	Sagarmala; National Logistics Policy (2022); PM Gati Shakti; Vizhinjam, Vadhavan ports; transshipment hubs

Sources: *Business Standard, Ministry of Ports, Shipping and Waterways*

Source: Talk Tariffs, But Understand Ocean Freight — Ujyari.com | Free UPSC & State PCS Editorial Analysis

• **KEY ARGUMENTS AT A GLANCE**

Tariff concessions in trade deals matter less than India assumes, because volatile, high ocean-freight, insurance and surcharges can wipe out tariff gains for margin-sensitive exports — so India must shift focus from “capacity creation” to “cargo creation”: larger, predictable volumes, coastal feeder services and faster inland evacuation.

✓ **SUPPORTING**

- A few percentage points of tariff relief can be erased by a single freight-rate spike or surcharge, especially for low-margin goods, making logistics reliability decisive for export competitiveness.
- India has invested heavily in port capacity (Sagarmala, new terminals) but still suffers high logistics costs as a share of GDP and slow, fragmented inland evacuation.
- Without predictable cargo volumes, shipping lines do not deploy regular direct services to Indian ports, forcing transshipment through foreign hubs (e.g., Colombo, Singapore) that adds cost and time.

⚠ **COUNTER**

Some argue tariff reduction still expands market access at the margin and that freight volatility is a global, not India-specific, problem best left to markets.

→ **WAY FORWARD**

Prioritise “cargo creation” — aggregating export volumes, building coastal and feeder services, developing transshipment hubs (Vizhinjam, Vadhavan), and using the National Logistics Policy and PM Gati Shakti to cut inland evacuation time and cost.

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MAINS ANSWER FRAMEWORK
QUESTION

"For a trading nation, logistics competitiveness matters as much as tariff policy." Examine India's logistics-cost challenge and the policy shift it requires. (250 words)

INTRODUCTION

Trade negotiations obsess over tariff lines, but for an exporter the landed cost — not the tariff alone — decides competitiveness. India's logistics costs, and especially volatile ocean freight, can neutralise hard-won tariff concessions, demanding a shift in policy focus.

BODY

For margin-sensitive exports, a spike in ocean-freight rates, insurance, or congestion surcharges can wipe out a few percentage points of tariff relief overnight. India has rightly built port capacity through Sagarmala and new terminals, but capacity alone does not lower costs: logistics still account for a high share of GDP, inland evacuation is slow and fragmented, and a lack of predictable cargo volumes means shipping lines route Indian trade through foreign transshipment hubs like Colombo and Singapore, adding cost and time.

The strategic insight is to move from "capacity creation" to "cargo creation" — aggregating predictable volumes that justify direct services, developing domestic transshipment hubs (Vizhinjam, the upcoming Vadhavan port), expanding coastal and feeder shipping, and compressing inland evacuation through PM Gati Shakti and the National Logistics Policy. This reframes competitiveness as an end-to-end supply-chain problem, not a port-gate one.

CONCLUSION

India's export ambitions will be realised not merely by signing trade deals or building bigger ports, but by ensuring that goods move reliably and cheaply from factory to foreign buyer. "Cargo creation" — predictable volumes, feeder networks and fast evacuation — is the missing half of trade strategy.


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