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EDITORIAL ANALYSIS

Repeal, Not Suspend: What America's Jones Act Fight Teaches India About Its Own Cabotage Law

MINT

7 August 2026 · ECONOMY IR · GS3 GS2

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INTERVIEW ANGLE

"If a protectionist law has raised domestic costs for over a century but survives because it protects a strategic industry's wartime capacity, at what point does the security justification stop being sufficient, and who gets to decide that point has arrived?"

Every fact web-verified against primary sources

THE LIFT LINE

A law written to keep American ships in American waters just proved it cannot keep American fuel moving when it matters most.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

Economy answers on protectionism tend to stop at “tariffs raise prices.” This editorial supplies a sharper, comparative version of that argument using a policy instrument, cabotage law, that exists in near-identical form in India and the US, letting you argue from evidence on both sides rather than from theory alone, a structure that strengthens any GS3 answer on trade policy or industrial protection.

GS Paper 3: Infrastructure: ports, shipping; Indian economy and issues relating to planning, mobilisation of resources, growth, development; effects of liberalisation on the economy.

GS Paper 2: Bilateral, regional and global groupings and agreements involving India; effect of policies and politics of developed and developing countries on India"s interests.

CONCEPT	MEANING	WHY IT IS TESTABLE
Cabotage	Restriction of domestic coastal trade to domestically flagged/built/crewed vessels	Core concept examined in both US and India context
Jones Act, 1920	US law (Merchant Marine Act, 1920) requiring US-built, US-flagged, majority US-owned, US-crewed vessels for port-to-port US cargo	Named foreign law with a live India-relevant parallel
Merchant Shipping Act, 1958, Section 407	India"s cabotage provision reserving coastal trade for Indian-flagged vessels	The Indian statute directly comparable to the Jones Act
2018 cabotage relaxation	General Order permitting foreign vessels to carry EXIM transhipment and empty containers without a DG Shipping licence	Concrete Indian evidence for the anti-protectionism argument
Merchant Shipping Act, 2025	New consolidated Act (Presidential assent 18 August 2025) set to replace the 1958 Act once notified, aligning cabotage further with global norms	Current status: replacement Act passed but not yet in force

BACKGROUND AND CONTEXT

The trigger is a **Mint opinion piece by Michael Bloomberg**, published 7 August 2026, arguing that the United States should permanently repeal the **Jones Act of 1920** rather than continue the cycle of emergency waivers. The Jones Act requires that cargo shipped between two US ports travel on vessels that are US-built, US-flagged, at least 75 percent US-owned, and US-crewed, a restriction that has been criticised for over a century for raising domestic shipping costs, most visibly in non-contiguous markets such as Puerto Rico, Hawaii and Alaska that have no land-based alternative to coastal shipping.

The immediate context for Bloomberg"s argument is a **2026 emergency waiver**. Following a military conflict involving Iran that disrupted shipping through the Strait of Hormuz and sharply raised oil prices in early 2026, the US administration suspended Jones Act restrictions for oil, gas, fertiliser and coal cargo for 60 days from **18 March 2026**, later expanding the waiver to cover **671 distinct commodity types**. Bloomberg"s central point is that a law which has to be waived to prevent a fuel-supply emergency from worsening has already failed the test that justifies its existence.

India has direct, comparable experience. **Section 407 of the Merchant Shipping Act, 1958** historically reserved India"s coastal (cabotage) trade for Indian-flagged vessels. A **General Order dated 21 May 2018** relaxed this specifically for foreign-flagged vessels carrying export-import (EXIM) laden containers meant for transhipment, and for empty containers, removing the requirement for a licence from the **Directorate General (DG) Shipping**. Parliament has since passed a consolidated **Merchant Shipping Act, 2025** (Presidential assent 18 August 2025) to replace the 1958 Act, though it awaits a notification bringing it into force, and is expected to carry the cabotage liberalisation further, with coastal cargo targeted at 230 million tonnes by 2030.

THE ANALYSIS

1. Both laws are the same policy instrument, applied to different economies. The Jones Act and India"s Section 407 restriction both reserve domestic port-to-port trade for domestically flagged vessels, justified in both countries by the same twin rationale: protecting a domestic shipbuilding and shipping base, and maintaining strategic sealift capacity for wartime.

2. The 2026 waiver is an unplanned natural experiment. When the Strait of Hormuz disruption forced Washington to suspend Jones Act rules for fuel cargo, it effectively tested Bloomberg"s thesis in real time: US supply chains needed foreign-flagged capacity precisely because the domestic-only fleet mandated by the Act was not enough to handle the surge, undercutting the argument that the restriction reliably protects domestic capacity when it is actually needed.

3. India"s 2018 data is the closest available comparison, and it favours relaxation. The share of India"s container traffic transhipped through foreign ports (chiefly Colombo and Singapore) fell from roughly 34 percent in 2017-18 to about 30 percent in 2018-19 after the relaxation, evidence that the pre-2018 cabotage restriction had itself been diverting transhipment volume, and the value it carries, out of India rather than protecting it.

4. The security argument is real, not a pretext, and applies with equal force to both laws. Sealift capacity in wartime is a legitimate defence concern, and it is not obviously wrong that a nation wants ships it can requisition and crews it can rely on during a conflict. The 2026 Iran-related disruption is itself evidence that such emergencies happen, which cuts both ways: it exposed the Jones Act"s cost, but it also validated the underlying security worry that motivates cabotage law in the first place.

5. India"s approach, incremental and category-specific, is more defensible than either extreme. Rather than a blanket repeal or a blanket restriction, India relaxed cabotage precisely for the cargo category (EXIM transhipment) where the restriction was demonstrably costly, while retaining broader coastal protections. This calibrated model is a more exportable lesson for the US debate than a straight repeal-versus-retain framing.

6. The Merchant Shipping Act, 2025 signals India"s direction of travel. Even though the new Act awaits notification, its passage with a stated cabotage-liberalisation objective (230 million tonnes of coastal cargo by 2030) shows India moving further in the direction Bloomberg is arguing the US should take, not away from it, which is itself indirect evidence favouring his position.

DATA AND INSTITUTIONS VAULT

PRELIMS-GRADE FACTS:

Jones Act, 1920 (Merchant Marine Act, 1920, Section 27): requires US-built, US-flagged, majority US-owned, US-crewed vessels for port-to-port US cargo

2026 Jones Act waiver: suspended for oil, gas, fertiliser, coal from 18 March 2026 (60 days), later expanded to 671 commodity types

Trigger: a 2026 military conflict involving Iran disrupting shipping through the Strait of Hormuz

India"s cabotage provision: Section 407, Merchant Shipping Act, 1958

2018 relaxation: General Order dated 21 May 2018, foreign vessels allowed to carry EXIM transhipment and empty containers without a DG Shipping licence

Foreign-transhipped share of India"s container traffic: ~34% (2017-18) to ~30% (2018-19)

Merchant Shipping Act, 2025: Presidential assent 18 August 2025, replaces the 1958 Act and the Coasting Vessels Act, 1838, once notified into force

WATCH THE TRAP: DO NOT WRITE THAT THE JONES ACT AND INDIA"S CABOTAGE LAW ARE UNRELATED DOMESTIC MATTERS; THEY ARE THE SAME POLICY INSTRUMENT, AND INDIA"S 2018 DATA IS DIRECTLY USABLE AS COMPARATIVE EVIDENCE IN A JONES ACT ANSWER, AND VICE VERSA.

THE DEBATE

Argument FOR repeal (or permanent liberalisation). A law that must be emergency-waived to prevent a fuel-supply crisis has already demonstrated it cannot reliably deliver the capacity it exists to protect, while imposing a continuous cost on domestic shipping-dependent markets in normal times. India"s 2018 experience shows relaxation can shift trade back toward domestic ports rather than away from them, undercutting the claim that liberalisation necessarily harms the domestic industry it is meant to protect.

Argument AGAINST repeal. Sealift capacity is a genuine strategic asset, and the very emergency that exposed the Jones Act"s cost also validated the security logic behind it: nations do face sudden shipping disruptions, and having a requisitionable domestic fleet and crew base is not a hypothetical concern. Repeal permanently forfeits an option that a narrower, temporary waiver preserves.

Balanced verdict. The strongest position separates the objective (a domestic shipbuilding and sealift base) from the instrument (blanket port-to-port cabotage restriction). India"s incremental, cargo-category-specific relaxation is evidence that the objective can be pursued with a narrower, less costly instrument; the US debate over Jones Act repeal should draw on that evidence rather than treat repeal and retention as the only two options.

HOW TO THINK ABOUT THIS

The transferable pattern: **when a protectionist law is justified by a strategic-security rationale, test that rationale against what actually happens during the exact emergency it claims to be insurance against.**

Protectionist economic instruments, tariffs, cabotage restrictions, local-content rules, are frequently defended on strategic grounds that are hard to falsify in normal times, since the emergency they insure against has not yet occurred. When the emergency does occur, as with the 2026 Strait of Hormuz disruption, it becomes possible to check whether the restriction actually delivered the promised resilience, or whether it had to be suspended to cope, which is itself evidence about the instrument"s real value.

This same test applies to India"s own strategic-sector protections, defence production import restrictions, agricultural stockholding limits justified by food-security concerns, and telecom equipment localisation rules: each claims a security rationale that should be checked, whenever a relevant stress event occurs, against whether the protection held up or had to be relaxed.

DIAGRAM-IN-WORDS

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THE CABOTAGE PARALLEL

UNITED STATES                       INDIA
Jones Act, 1920                     Merchant Shipping Act, 1958, S.407
  |                                   |
  restricts US port-to-port cargo     restricts Indian coastal cargo
  to US-built/flagged/crewed ships    to Indian-flagged ships
  |                                   |
  2026: Iran-conflict oil shock       2018: high foreign-transhipment
  forces 60-day waiver,               share (34%) exposes cost of
  later expanded to 671 goods         restriction
  |                                   |
  Bloomberg (Aug 2026): repeal,       General Order (May 2018):
  don't just waive                    relax for EXIM transhipment
  |                                   |
  ↓                                   ↓
  UNRESOLVED: waiver set to expire    RESULT: foreign-transhipped
  16 Aug 2026, repeal debate ongoing  share falls to ~30% (2018-19)

SAME INSTRUMENT, SAME TRADE-OFF: strategic-sector protection
versus economy-wide logistics cost
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TAKEAWAY BOX

India already ran the experiment the US is now debating, and the data came back in favour of letting the ships in.

Jones Act = **Merchant Marine Act, 1920***; 2026 waiver from* **18 March 2026***, expanded to* **671 commodities***; India cabotage =* **Section 407, Merchant Shipping Act, 1958***; 2018 relaxation =* **General Order, 21 May 2018***; foreign-transhipped share* **34% to 30%***;* **Merchant Shipping Act, 2025** *(assent 18 August 2025) replaces the 1958 Act.*

when a strategic-security justification for a costly economic restriction cannot be tested except during the emergency it insures against, how should a policymaker weigh the untested claim against the continuously measurable cost?

UPSC has repeatedly examined the effects of liberalisation, infrastructure bottlenecks in ports and shipping, and India"s trade competitiveness; this editorial supplies a rare direct international comparison (US Jones Act versus India"s own cabotage history) usable in either a GS3 economy answer or a GS2 comparative-policy answer.

"Protectionist restrictions on domestic shipping are typically justified on strategic-security grounds, yet the emergencies that test this rationale often expose the restriction"s economic cost instead." Discuss with reference to the US Jones Act and India"s cabotage law.

Sources: Mint, Bloomberg Opinion, Sagarmala, Ministry of Ports, Shipping and Waterways, PIB

Source: Repeal, Not Suspend: What America's Jones Act Fight Teaches India About Its Own Cabotage Law — Ujiyari.com | Free UPSC & State PCS Editorial Analysis

KEY ARGUMENTS AT A GLANCE

Michael Bloomberg's Mint op-ed argues that the United States' Jones Act of 1920, a cabotage law requiring goods moved between US ports to travel on US-built, US-flagged and US-crewed vessels, has proven a persistent economic dead weight, and that the temporary waiver granted in 2026 during an oil-price emergency should become permanent repeal rather than a lapse-and-reinstate cycle; India's own history of relaxing its nearly identical cabotage regime under the Merchant Shipping Act, 1958 supplies independent evidence for exactly this argument.

✓ SUPPORTING

- The Jones Act's mechanics are a textbook cabotage restriction: cargo moved between two US ports must travel on vessels that are US-built, US-flagged, at least 75 percent US-owned and US-crewed, which sharply limits the pool of eligible ships and has long been cited as inflating domestic shipping costs, particularly for non-contiguous markets such as Puerto Rico, Hawaii and Alaska that depend entirely on coastal shipping for supply.
- The 2026 waiver was granted as an emergency measure: after a military conflict involving Iran disrupted shipping through the Strait of Hormuz and sent oil prices sharply higher in early 2026, the US administration suspended Jones Act restrictions for oil, gas, fertiliser and coal cargo for 60 days from 18 March 2026, later expanding the waiver to cover 671 distinct commodity types, precisely because the law was constraining the fleet available to move fuel domestically when it mattered most.
- India ran a structurally identical experiment years earlier. Section 407 of the Merchant Shipping Act, 1958 reserved India's coastal (cabotage) trade for Indian-flagged vessels, a restriction long argued to raise domestic logistics costs.
  A General Order of 21 May 2018 relaxed this for foreign-flagged vessels carrying export-import (EXIM) laden containers for transhipment and empty containers, without requiring a licence from the Directorate General of Shipping.
- The measurable result strengthens the comparison: the share of India's container traffic transhipped through foreign ports, principally Colombo and Singapore, fell from about 34 percent in 2017-18 to about 30 percent in 2018-19 after the relaxation, as more transhipment volume shifted to Indian ports, a direct sign that the pre-2018 cabotage restriction had been pushing traffic, and the value it generates, outside the country.

⚠ COUNTER

Cabotage protection is not purely an economic inefficiency to be repealed away; it is also a strategic-industry and national-security argument. A domestic shipbuilding and shipping base sized to wartime sealift needs cannot be maintained if it is exposed to unrestricted foreign competition, and the very emergency that triggered the 2026 Jones Act waiver, a war disrupting global shipping lanes, is also the scenario cabotage laws are designed to hedge against. Repeal removes the option to rebuild that capacity quickly when it is next needed.

→ **WAY FORWARD**

Treat cabotage reform as a calibration problem, not a binary choice. The US debate should distinguish between the Jones Act's domestic-shipbuilding objective, which may warrant separate, direct industrial support, and its cabotage-restriction mechanism, which the 2026 emergency has shown imposes real costs precisely when flexibility matters most; a narrower, permanently liberalised cabotage rule paired with targeted shipbuilding incentives would preserve the strategic goal without the economy-wide drag.

India's own path, incremental relaxation targeted at specific cargo categories rather than blanket repeal, is the more exportable model, and its post-2018 data should inform how the US structures its own transition away from a strict, all-or-nothing Jones Act.

MAINS ANSWER FRAMEWORK

QUESTION

Cabotage laws such as the US Jones Act, 1920 and India's coastal shipping restrictions under the Merchant Shipping Act, 1958 are defended as protecting strategic domestic shipping industries. Critically examine whether such protectionism serves economic development, drawing on the comparative experience of both countries. (250 words)

INTRODUCTION

Cabotage laws reserve a country's coastal shipping trade for domestically flagged, built and crewed vessels, and are typically justified on two distinct grounds: protecting a strategic domestic shipbuilding and seafaring base for wartime sealift, and shielding domestic shipping firms from foreign competition. The United States' Jones Act, 1920 and India's coastal shipping restriction under Section 407 of the Merchant Shipping Act, 1958 are structurally the same instrument, and their comparative experience offers a rare natural experiment on whether such protectionism actually serves economic development.

BODY

The Jones Act has been criticised for decades for raising shipping costs, especially in non-contiguous US markets like Puerto Rico, Hawaii and Alaska that have no land alternative to coastal shipping. The scale of this cost became visible in 2026, when a war involving Iran disrupted the Strait of Hormuz and pushed oil prices sharply upward; the US administration responded by waiving Jones Act restrictions for fuel cargo, later widening the waiver to 671 commodity types, an implicit admission that the restriction itself was constraining the fleet available precisely when flexibility was most needed.

Michael Bloomberg's argument that this should become permanent repeal rather than a temporary lapse is strengthened by India's own experience: after decades of an equivalent restriction under the 1958 Act, a 2018 relaxation permitting foreign vessels to carry EXIM transhipment and empty containers without a licence was followed by a measurable shift of transhipment volume back to Indian ports, with the foreign-transhipped share falling from roughly 34 percent to 30 percent within a year, evidence that the restriction itself, not merely inadequate domestic capacity, had been diverting trade and value abroad. Both cases illustrate the same trade-off: cabotage restriction protects a narrow domestic shipping interest and a notional wartime sealift capacity, at the cost of raising logistics costs across the wider economy that depends on efficient coastal shipping.

CONCLUSION

The honest position does not treat this as economics against security. India's incremental, category-specific liberalisation, retaining cabotage protection in general while relaxing it precisely where the evidence showed it was costly, is a more defensible model than either the Jones Act's blanket restriction or its unconditional repeal.

The US debate would benefit from separating its shipbuilding-capacity objective, which can be pursued through direct industrial policy, from its cabotage-restriction mechanism, whose costs the 2026 emergency has now made difficult to ignore.

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