Daily news summary

# India Merchant Fleet Shipping Expansion Freight Bill

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## WHY IN NEWS

- The government announced plans to add 100 new merchant ships to address India's high foreign freight reliance and cut maritime costs.

## CURRENT STATE OF INDIAN MARITIME FREIGHT

- India pays approximately $75 billion annually in foreign freight charges due to a low proportion of national flag tonnage.
- Indian-flagged vessels carry less than 10% of the country's total EXIM (export-import) trade by value.

## STRUCTURAL CHALLENGES AND STRATEGIC MANDATE

- **Cost Disadvantage:** Operating under an Indian flag incurs a 16-20% cost premium over foreign flags due to local taxation, fuel levies, and compliance costs.
- **Expansion Strategy:** Acquisition of 100 ships aims to build sovereign capacity in critical liquid bulk, dry bulk, and container transport.

## WHY IT MATTERS

- Reduces current account deficit vulnerability from foreign freight payouts.
- Enhances supply chain security during geopolitical maritime disruptions.

## KEY TERMS

- **Flag of Convenience:** Registering a merchant ship in a foreign state with lenient tax or operational regulations rather than the owner's home country.
- **Tonnage Tax Scheme:** A taxation method applied to shipping companies based on the net tonnage of the fleet rather than corporate profits.

## PAPERS

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## PRELIMS FACTS

- Indian-flagged ships are subject to domestic taxation and stringent flag-state inspection rules unlike flags of convenience.

## MAINS DISCUSSION

- Analyze the strategic and economic necessity of building a sovereign merchant shipping fleet for India's international trade resilience.

## KEY DATA

- **Cost Disadvantage:** 16-20% - Operational cost gap for Indian-flagged ships versus foreign-flagged vessels.
- **Target Fleet Addition:** 100 ships - Proposed capacity addition to mitigate external freight outflows.

Official source