

**NATIONAL ACTION PLAN NEEDED TO ENSURE SMOOTH TRANSITION IN THIS CRISIS PERIOD,
SAYS CAPT. BATRA**

The nation-wide lockdown amidst the outbreak of COVID-19 has disrupted supply chains and subjected entrepreneurs to undue stress. In his message to the industry and policymakers, Capt. Somesh Batra, Vice Chairman, MVIRDC World Trade Center Mumbai, emphasizes on the need to mobilize government and private resources to ensure smooth functioning of essential and non essential services. He also highlights the need for entrepreneurs to review their business strategy and the government to unleash long term economic reforms to stay resilient in the post-COVID-19 world. Capt. Batra, who is also the Chairman of Yang Ming Line (India) Pvt Ltd and director of Seahorse Group of companies that offers shipping and international transport services to a wide range of sectors, shares his personal views on tips for exporters and importers to navigate through this challenging times.

Following is the message of Capt. Somesh Batra, compiled in the form of Question and Answer:

1. Ocean freight, which carries more than 80% of India's foreign trade, has been severely affected with many ports declaring force majeure and inland cargo movement affected by shortage of truck drivers. Can you brief some of the challenges facing the ocean freight industry in this scenario?

Yes, it is correct that the foreign trade and supply chain are severely impacted by the restrictions imposed to avoid spread of COVID – 19. The lockdown has resulted in some of the following:

- a) Some ports have declared force majeure. Therefore, the ships which loaded from overseas ports days or weeks earlier are forced to wait at phenomenal costs or declare force majeure of their own and unload these commodities at the nearest possible terminal or port. Similarly export cargoes are unable to be delivered or tendered as contracted. Many of these may eventually land up in courts and fiercely fought over the years with knowledge of hindsight.
- b) The Government allowed the ports to continue functioning as their services are considered essential. However, as in every industry, the supply chain has multiple links e.g.: Road, Rail, container freight station (CFS), Container Depots, Clearing Forwarding, Shipping agents, cargo surveyors, labour etc. to name a few. Unless all of them work in cohesion, the desired results cannot be achieved. Various agencies have since tried to correct and expand or join the dots of EXIM chain but it will take much longer to put it back in place.
- c) Understanding and implementation of the guidelines of the Ministry of Home Affairs (MHA) at the district level needed better management.
- d) Migrant labour fearing job losses as well as fear psychosis started moving to their villages and/or home states, which aggravated the situation. There are estimates of migrant labour in India being anywhere between 45 to 100 million and the scale of exodus even of 10% of this from multiple locations in the country is enough to create havoc to smooth movement. Magnitude of their plight and interest were unknown, forecasted or understood, till the problem erupted.

- e) The villages and towns outside mega cities have taken their own counsel on lockdown and banned movement of their village personnel for whatever reasons. Should anyone break the rule or 'Laxman Rekha', he/she is advised not to return back to the village. There is absolutely no distinction between working for essential or non essential services. Besides, who at the village shall be the arbiter for this? It has effectively sealed the fate of some of the essential movements and this needs immediate rectification as well as a check system.
- f) While at the best of situations, policing is a difficult task but some of the alleged strong arm tactics have dented their image under difficult circumstances.
- g) The lockdown under the circumstances was probably the most appropriate action and step but a little more notice and planning may have helped.

2. Can you elaborate how the economic disruption of COVID-19 has affected the chartering market for various segments of the shipping industry, viz. container carriers, dry bulk carriers and tankers?

All segments of the industry have been affected and while it is difficult to assess the exact damage to each segment of the industry, but some broad observations may be mentioned:

- a) **Tankers:** The slowing down of economies in world over has adversely affected or dipped the demand for oil consumption and reduction in oil prices to as low as USD 19 a barrel, which has not been seen for decades. Some of the tankers are laid down for want of employment? Simultaneously, some countries in Asia are taking opportunities of spot stockpiling oil due to lower crude prices. Combination of this ultimately has an effect of disruption in oil prices. VLCC (Very large Crude carriers) rates have gone up due to stockpiling demand due to disagreement in OPEC controlling supply.
- b) **Bulk Carriers:** Similarly, recent demand for ore has reduced in the wake of reduction in consumer demand and closure of factories. This too has resulted in tonnage being idled. However, it is too early to assess the long term effect as any guesstimate on how long it will take to win the war on COVID -19 and get world economy to achieve normalcy is difficult at this moment.
- c) **Container carriers:** These were affected firstly due to closure of factories during Lunar New Year in Asia, followed by continued closure due to COVID-19 with lack of demand. This has resulted in blanking voyages, laying up of ships and consequent supply chain disruption. In addition, exports have not moved due to transport deficiencies as well as restriction on movement of empties. The schedules of most carriers have gone haywire and will take considerable time to bring them back to regularity.
- d) As said earlier the effect of above coupled with force majeure will end up in disputes and losses.

3. What are the tips you offer to exporters and importers to manage their logistics efficiently in this condition?

We sincerely sympathize with exporters and importers, who have been caught unawares due to effects of pandemic and resultant disruptions. As soon as the things improve, it is suggested that some of the following actions may be considered:

General:

All stakeholders must join in their efforts to seek assistance from government to assist them in whatever form necessary. Constant dialogue needs to be maintained with Central Government to ensure implementation of its directives. National and State level Chambers should mobilize resources to petition local Administration to find solutions to the manpower, mobility and identifying personnel who are “essential” to maintaining logistics services.

Migrant workers who moved away from their posts, should be looked after, counselled and returned to work as soon as practicable.

Importers:

- a) Going forward, consider imports from at least two separate sources located in different geographical areas with an additional standby third source, which may be switched on at short notice. In addition, enhance your spare inventory stock for emergencies. Use this time for seeking alternate suppliers now.
- b) Choose the best and most reliable logistics partners. Remember that ‘cheap is not inexpensive’ and with the ongoing disruption, it is no time to experiment.
- c) As soon as the normalcy is restored, there will be imbalance in containers. Shipping lines would have suffered losses, resulting in freight rates to go up. Cargo will fight for space. Please prepare for that eventuality.

Exporters:

- a) Work closely with all the stakeholders in the logistics chain
- b) Choose reliable logistic partners
- c) Enter into long term contracts
- d) Seek alternative market for your products in different geographical zones.

4. What are the suggestions that you would like to offer to port and customs authorities to promote seamless movement of EXIM cargo?

Ports have been supporting the activity to the best of their ability. This has mainly been due to initiatives and suggestions of local associations and stakeholders in a piecemeal manner. For future, all of them may be taken into confidence, action plan and template readied in advance covering identification as well as security to attend to their jobs.

Customs merely needs to ensure that on-line mechanism for clearances is adopted without unnecessary “intervention” and without “probable cause” to intervene.

A national plan of action is essential to ensure smooth transition.

5. According to a forecast by Goldman Sachs, the world economy is staring at a recession and GDP growth in the second largest trading nation, USA, may fall 24% in Q2 2020. How do you see this bleak economic outlook affecting demand for shipping services in the near future?

Yes, in the short term, overall demand will reduce but there will be spikes and imbalances, which will create challenges and opportunities. Efficient and ones with deep pockets may survive but some of the weak or marginal players may merge, taken over or disappear. In the long term, the water will find its level.

India’s position in the order of things remains unique in that a relatively younger demography and a large domestic consumption pattern could largely insulate us from the recessionary effects mentioned above. This will generate demand for imports first, as well as create opportunities for exports. To benefit from this:

- a) Government support (Direct Benefit Transfer) to migrant workers and the poorer segment will ensure a workforce to “resume” production. Productivity in manufacturing sector must improve and should be the basis for advancement instead of reservation.
- b) Likewise, effective financial support to SMEs to ensure that mass layoffs are avoided and bank loans etc. can be serviced without any recourse.
- c) Financial support to the banking system with proper monitoring is essential.
- d) The bureaucracy both at the administrative and police level should be given strict guidelines and instructions to implement Policy and held accountable for results.

Chinese production levels are expected to resume and attain 85% normalcy within a fortnight or month. It is only reforms to Taxation, Labour laws, Agricultural laws etc. that can create a competitive environment in India to gain a larger share in International trade, failing which, once again we would have missed the bus and let opportunity go past.

Notifications

Press Information Bureau, Government of India

- [DAILY BULLETIN ON COVID-19](#)
- [Government constitutes Empowered Group no. 6 to combat COVID-19](#)
- [MSME Technology Centres contribute to fight against CoVID-19](#)

DGFT

- [Amendment in Export Policy of Diagnostic Kits](#)
- [Amendment in Export Policy of Hydroxychloroquine](#)
- [Acceptance of scanned copies of pre-registration application](#)
- [Indian Railways ensures supply chain fully functional for key sectors](#)

Reserve Bank of India

- [Extension of realisation period of export proceeds](#)

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