



Container Shortage

Why in News

Recently, there is an ongoing major **container shortage** which is **impacting international trade** in a big way.

Key Points

▪ Reasons for the Shortage:

◦ Low Number of Shipping Vessels:

- The **reduction in the number of shipping vessels** operating as a result of the [Covid-19 pandemic](#) has led to fewer empty containers being picked up.

◦ Congestion:

- Long waiting times at key ports such as those in the US due to **congestion** on **Chinese ports** are also contributing to lengthening turnaround time for containers.

▪ Global Impact:

- A sustained **global [economic recovery](#)** has added to the impetus to trade. The **lack of availability of containers and the faster than expected recovery** in international trade has **pushed up freight rates significantly**.

- It has **led to freight rates rising by over 300%**.

▪ Impact on India:

- Indian **exporters are facing major delays in their shipments** and consequent **liquidity issues** as they have to wait longer to receive payment for exported goods.

- **Liquidity** refers to the ease with which an asset, or security, can be converted into ready cash without affecting its market price.

- **Structural problems such as the high turnaround time** for ships in India also adds to the problem

▪ Step Taken by the Government:

- The [Central Board of Indirect Taxes and Customs](#) has directed its officers to **expeditiously dispose of the unclaimed, uncleared, and confiscated goods that are holding up containers**, a move aimed at easing availability of containers for exporters.

Way Forward

- Government can **regulate the export of empty containers**. It can also **notify a freight support scheme** for all exports till the end of the fiscal when freight rates are expected to normalise as requested by the [Federation of Indian Export Organisations](#).
- Government can also **push back on a move by shipping lines to offer priority bookings at**

higher rates, asking that shipping lines revert to taking bookings on a **first come first serve basis**.

Source: IE

PDF Referenece URL: <https://www.drishtias.com/printpdf/container-shortage>