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Shipping “Liberties Clause”: Explained

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What is the Liberties (Deviation) Clause?

It is a rule in shipping contracts (bill of lading).

It allows shipping companies to:

Change route

Delay journey

Deliver cargo at a different port

Key idea: If the original route becomes unsafe or impractical, ships are legally allowed to deviate.

Where does this rule come from?

It dates back to the 19th century

At that time:

Ships faced piracy, war, and bad weather

So captains needed flexibility without breaking contracts

Why is this rule in news now?

Due to the Iran war and tensions near the Strait of Hormuz

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Problems:

Attacks on ships

Military threats

Insurance risks

As a result:

Shipping routes have become dangerous and uncertain

How does the clause work in practice?

When invoked, shipping companies can:

Change route

Avoid risky areas like war zones

Delay shipment

Wait until conditions improve

Deliver at another port

Instead of original destination

This is considered legal fulfilment of contract

What happens to the cargo then?

Once cargo is unloaded at a different port:

Responsibility shifts to the cargo owner (importer)

They must arrange:

Transport to final destination

Storage and handling

Customs clearance

Important: These costs were not included in the original price

What is the impact on businesses?

Increased costs (extra logistics, storage)

Delivery delays

Supply chain disruptions

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In some cases:

Costs rise significantly per container

Why companies are using it more now?

War risk in Gulf region

Insurance becoming expensive or unavailable

Routes like Hormuz becoming unsafe

So: Companies use this clause to reduce risk and liability

Bigger global impact

About 90% of global trade moves by sea

So disruptions:

Affect global prices

Delay goods worldwide

Create supply chain instability

Final takeaway

The liberties clause lets shipping firms legally change routes or ports during crises, shifting extra costs and risks from companies to cargo owners.