



WEST ASIA CRISIS AND INDIA

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Abstract

In his address to the nation, Prime Minister Narendra Modi on 10 May 2026, said: "don't buy gold for a year; postpone foreign travel; work from home where possible." His message was simple: Save dollars, protect India's foreign exchange reserves. This appeal came amid the ongoing Iran war, and the resultant rise in crude oil prices, and freefall of the Rupee. Again, on May 25, Finance minister Nirmala Sitharaman warned that West Asia conflict may hit Indian economy harder as fuel prices continue to surge ahead.

It is now beyond doubt that the ongoing conflicts in West Asia have become one of the biggest international challenges affecting India's foreign policy, economy, and security interests. India shares strong historical, cultural, economic, and political connections with countries such as Saudi Arabia, Iran, Israel, United Arab Emirates, and Qatar. The region is very important for India because it supplies a large share of India's oil and natural gas needs. It is also home to millions of Indian workers whose remittances support many families and contribute to the Indian economy. Over the years, India has also built stronger strategic and economic ties with both Israel and the Gulf countries, which has changed the way India deals with the region diplomatically.

However, ongoing conflicts such as the Israel-Palestine conflict, tensions between Iran, Israel and USA, wars in Yemen and Syria, and instability in important sea routes like the Red Sea and the Strait of Hormuz have created several challenges for India. These conflicts have led to higher oil prices, rising inflation, problems in trade and supply chains, security concerns for Indians living in the region, and threats to maritime trade routes. They have also made it difficult for India to balance its relations with different countries in the region that often oppose each other.

This paper studies how the conflicts in West Asia affect India in many ways, including energy security, trade, the safety of the Indian diaspora, defense cooperation, and diplomatic relations. It also examines India's "multi-alignment" policy, through which India tries to maintain good relations with different rival countries while protecting its own national interests. Finally, the paper suggests some policy measures that can help India reduce the risks caused by future conflicts in the region and strengthen its role and influence in West Asia.

Keywords: West Asia, India, Energy Security, Diplomacy, Strategic Autonomy, Israel, Iran, Gulf States, Diaspora, Foreign Policy.

Introduction

The 2026 Iran-Israel war has created major global political, economic, and security consequences, making it one of the most serious international crises in recent years. It began after military strikes by the United States and Israel on Iran resulting in Iran's angry response, leading to heavy fighting across the region. The conflict damaged cities, ports, military bases, and energy facilities, while many civilians were displaced. Gulf countries

pushed for diplomatic solutions to avoid a larger regional war. At the same time, powers like China and Russia tried to increase their influence in the region.

The conflict has affected energy markets, global trade, diplomacy, military alliances, and economic growth across different regions of the world. One of the biggest global implications has been the disruption of energy supplies. Iran's actions around the Strait of Hormuz -one of the world's most important oil shipping routes - caused sharp increases in oil and gas prices. Global trade and shipping networks have also been badly affected. The conflict has also strengthened global security concerns. Attacks on military bases, oil facilities, shipping routes, and cyber networks increased fears of a wider regional war. Overall, the conflict showed how instability in West Asia can impact the entire world economy and international security.

For countries like India, China, Japan, and South Korea, the conflict poses a serious challenge because they depend heavily on oil and gas imports from the Gulf region. Rising energy prices, supply disruptions, and risks to expatriate communities have forced these countries to rethink their energy security and foreign policy strategies.

West Asia occupies a central position in India's foreign policy due to its strategic location, energy resources, trade networks, and historical connections. India's interactions with the region date back centuries through maritime trade, cultural exchanges, and religious linkages. In the contemporary era, these relations have evolved into strategic partnerships encompassing defense cooperation, trade, energy security, investment, and counterterrorism collaboration.

India's growing economic and geopolitical ambitions have increased the importance of West Asia in its foreign policy calculations. The Gulf region supplies nearly two-thirds of India's crude oil requirements, while millions of Indian expatriates residing in West Asian countries contribute substantial remittances to the Indian economy (Pant, 2024). Furthermore, strategic maritime routes such as the Strait of Hormuz and Bab-el-Mandeb are vital for India's international trade.

However, West Asia has remained highly unstable due to political conflicts, sectarian divisions, proxy wars, terrorism, and geopolitical rivalries. The Israel-Palestine conflict, Iran-Israel tensions, Syrian civil war, Yemen conflict, and Red Sea crisis have intensified regional insecurity. These developments directly affect India through rising oil prices, maritime disruptions, and threats to the Indian diaspora (Vivekananda International Foundation [VIF], 2026).

India has attempted to respond through a policy of strategic balancing. Rather than aligning completely with one bloc, India has maintained relations with Israel, Iran, and Arab Gulf monarchies simultaneously. This policy reflects India's broader commitment to strategic autonomy and multipolar diplomacy.

This paper critically examines ongoing West Asia crisis, its impact on India and evaluates India's evolving diplomatic and strategic response.

The West Asia Crisis in a nutshell

The current crisis in West Asia is the result of decades of political conflicts, foreign intervention, territorial disputes, religious tensions, and regional power rivalry. The roots of the crisis can be traced back to the collapse of the Ottoman Empire after World War I, when Britain and France divided the region and created new political borders that later became sources of instability and conflict (Britannica, 2026)

One of the most important turning points was the creation of Israel in 1948, which led to the beginning of the Arab-Israel conflict. The displacement of Palestinians and repeated wars between Israel and Arab countries created long-term instability in the region. Over time, the Israel-Palestine issue became one of the central political and humanitarian problems in West Asia.

Another major development was the 1979 Islamic Revolution in Iran, which transformed Iran into an Islamic republic and increased tensions between Iran, Israel, the United States, and Gulf monarchies. After the revolution, Iran expanded its regional influence and supported groups such as Hezbollah and Hamas, while Israel and several Gulf countries increasingly viewed Iran as a regional threat (Time, 2025).

The U.S.-led invasion of Iraq in 2003 further destabilized the region. The collapse of Iraq's political structure increased sectarian violence between Sunni and Shia groups and contributed to the rise of extremist organizations such as ISIS. The instability also strengthened Iran's influence in Iraq and neighboring countries, creating new geopolitical tensions.

The 2011 Arab Spring became another major turning point in the region. In recent years, tensions between Iran and Israel have become one of the biggest security concerns in West Asia. Disputes over Iran's nuclear program, cyberattacks, military strikes, and support for armed groups have increased hostility between the two countries. Conflicts involving Gaza, Hezbollah, and the Houthis, along with attacks on Red Sea shipping routes, have further intensified regional instability.

The 2026 Iran-Israel war marked a major escalation in these tensions. Direct military confrontation between the two countries increased fears of a wider regional war and created serious global economic and security consequences. Rising oil prices, disruptions in maritime trade, and the growing involvement of major powers such as the United States, China, and Russia highlighted the global importance of the crisis.

Overall, the present West Asia crisis is not the result of a single event but the outcome of long-standing political rivalries, unresolved territorial disputes, sectarian divisions, foreign interventions, and competition for regional influence.

West Asia and India relations

India's relationship with West Asia has deep historical roots. Ancient trade routes connected Indian ports with the Arabian Peninsula and Persian Gulf, facilitating the exchange of spices, textiles, and cultural traditions. The spread of Islam further strengthened civilizational ties between India and the Arab world.

After independence, India adopted a foreign policy based on non-alignment and anti-colonial solidarity. India strongly supported the Palestinian cause and maintained close ties with Arab nations. During the Cold War, India's policy toward West Asia remained cautious and ideologically driven (Halliday, 2005).

A major transformation occurred after economic liberalization in 1991. India's increasing energy requirements and global economic integration led to a pragmatic reassessment of its West Asia policy. India established full diplomatic relations with Israel in 1992, signaling a shift toward strategic realism. Despite U.S. sanctions, India continues strategic engagement with Iran due to energy interests and connectivity initiatives such as the Chabahar Port project. Iran provides India with access to Afghanistan and Central Asia (Mohan, 2003).

Since the early 2000s, India's engagement with West Asia has expanded considerably. Defense cooperation with Israel, strategic partnerships with UAE and Saudi Arabia, and connectivity projects with Iran illustrate India's multidimensional approach. Under Prime Minister Narendra Modi, India intensified diplomatic outreach to the region through high-level visits and economic initiatives such as the India-Middle East-Europe Economic Corridor (IMEC) (Pant, 2024).

India's policy toward West Asia is based on strategic autonomy and balanced engagement. India and Israel have developed strong defense and technological cooperation. Israel is among India's top defense suppliers and cooperates with India in agriculture, cybersecurity, water management, and intelligence sharing (Tellis, 2021).

Strategic Autonomy

India has consistently avoided taking extreme positions in regional conflicts. Instead, it emphasizes dialogue, diplomacy, humanitarian assistance, and peaceful conflict resolution. This approach enables India to maintain partnerships with rival regional actors simultaneously.

Consequences of the West Asia Conflict for India

Energy Security

The Strait of Hormuz and Bab-el-Mandeb are among the world's most important maritime chokepoints. Instability in these regions threatens energy shipments and global supply chains, directly impacting India's trade and energy imports (VIF, 2026). India imports nearly 85% of its crude oil requirements, with a majority originating from West Asia (International Energy Agency [IEA], 2024). Countries such as Iraq, Saudi Arabia, UAE, and Kuwait are among India's leading energy suppliers.

Conflicts in West Asia often result in volatility in global oil prices. Rising crude oil prices increase India's import bill, widen the current account deficit, and create inflationary pressures. According to the Reserve Bank of India, sustained increases in oil prices significantly affect India's macroeconomic stability (RBI, 2024).

Economic and Trade Implications

West Asia is among India's most important trading partners. India's trade with Gulf Cooperation Council (GCC) countries exceeds USD 180 billion annually (Ministry of External Affairs [MEA], 2024). India exports food products, textiles, machinery, pharmaceuticals, and chemicals to the region while importing crude oil and petrochemicals.

Oil price shocks resulting from West Asian conflicts contribute to inflation and reduce consumer purchasing power in India. Higher transportation and manufacturing costs also affect industrial productivity. Studies indicate that prolonged instability in West Asia could slow India's economic growth trajectory (VIF, 2026).

Impact on the Indian Diaspora

The Indian diaspora in West Asia is one of the largest overseas Indian communities. Approximately nine million Indians reside in Gulf countries including UAE, Saudi Arabia, Kuwait, Oman, and Qatar (MEA, 2024). Indian workers contribute substantially to sectors such as construction, healthcare, information technology, and services.

Remittances from West Asia are a major source of foreign exchange for India. According to the World Bank (2024), India remains the world's largest recipient of remittances, with Gulf countries contributing a substantial share.

Domestic Fallout in India

The ongoing crisis in West Asia has created serious domestic challenges for India because of the country's heavy dependence on the region for oil, trade, remittances, and employment. One of the biggest domestic effects has been the rise in crude oil and gas prices.

India imports a large share of its energy needs from West Asia, and disruptions in the Strait of Hormuz and Red Sea have increased import costs. Higher oil prices directly affect petrol, diesel, LPG, transportation, and electricity costs, leading to inflation across the economy (Crisil, 2026).

The crisis has also increased inflationary pressure on essential goods and services. Rising fuel and transportation costs have made food items, fertilizers, construction materials, and consumer goods more expensive. Reports suggest that a prolonged conflict could reduce India's economic growth and increase the fiscal burden on the government (ICRA, 2026).

Another major domestic impact is pressure on the Indian rupee and foreign exchange reserves. Rising oil import bills have weakened the rupee and increased demand for U.S. dollars. Financial experts have warned that continued instability in West Asia could create balance-of-payments pressure and increase the risk of inflation and slower economic growth in India (Reuters, 2026).

India and Emerging Geopolitical Alignments

India-Middle East-Europe Economic Corridor (IMEC)

The IMEC initiative aims to connect India with Europe through West Asia via ports, railways, and digital infrastructure. The corridor is viewed as a strategic alternative to China's Belt and Road Initiative (BRI) (White House, 2023).

I2U2 Grouping

India participates in the I2U2 grouping comprising India, Israel, UAE, and the United States. The initiative focuses on economic cooperation, technology, food security, and infrastructure development.

Multipolar Diplomacy

India's engagement with West Asia reflects its broader vision of a multipolar world order where India maintains independent relations with competing global and regional powers.

Challenges for India

India faces several challenges in managing its policy toward West Asia because the region is strategically important yet politically unstable. One major challenge is balancing relations between Israel and Palestine. While India has strong defense and economic ties with Israel, it also supports the Palestinian cause and maintains close relations with Arab countries. India also has to manage its relations with Iran while maintaining strategic cooperation with the United States, especially because U.S. sanctions on Iran often affect India's foreign policy choices.

Another important challenge is energy security, as India depends heavily on West Asia for oil and gas imports. Regional conflicts and tensions in routes such as the Strait of Hormuz and the Red Sea can disrupt supplies and increase oil prices, leading to inflation and economic pressure in India. The safety of millions of Indians working in Gulf countries is also a major concern during periods of instability.

At the same time, India faces growing competition from China, which has expanded its economic and strategic presence in the Gulf region. Maritime insecurity, trade disruptions, and supply chain problems caused by

regional conflicts further complicate India's position. Overall, India's West Asia policy requires careful balancing between economic interests, strategic partnerships, energy security, and regional stability.

Moreover, as the leader and voice of the Global South, India has been found wanting and playing a passive role while its arch-rival Pakistan has managed to walk away with worldwide accolades and praise for its role in the Iran- USA ceasefire negotiations. India needs to act decisively and confidently as a major power.

Policy Recommendations

To reduce the impact of conflicts in West Asia, India should adopt several long-term policy measures. First, India should continue diversifying its energy imports and increase investments in renewable energy sources so that it becomes less dependent on oil and gas from West Asia. Experts argue that greater investment in renewable energy and diversified import sources can improve India's long-term energy security (International Energy Agency [IEA], 2025).

India should also expand its strategic petroleum reserves because larger reserves can help the country manage sudden disruptions in global energy supplies during geopolitical crises (Ministry of Petroleum and Natural Gas [MoPNG], 2024). Strengthening maritime security is equally important, especially in sea routes such as the Strait of Hormuz and the Red Sea. India should increase naval cooperation and maritime partnerships with regional and international powers to protect trade and energy transportation routes (Observer Research Foundation [ORF], 2025).

Another important recommendation is strengthening diaspora protection mechanisms. The Indian government should improve evacuation systems, emergency response planning, and labor agreements with Gulf countries to ensure the safety and welfare of Indian workers during regional conflicts (Ministry of External Affairs [MEA], 2025).

India should also continue its policy of balanced diplomacy by maintaining strong relations with Israel, Iran, and Arab Gulf countries simultaneously. This balanced approach helps India preserve strategic autonomy while protecting its economic and geopolitical interests (Pant, 2024). Finally, India should accelerate its transition toward renewable energy sources such as solar, wind, and green hydrogen. Reducing dependence on imported fossil fuels will help India become more resilient against future instability in West Asia (NITI Aayog, 2023).

Conclusion

West Asia remains strategically indispensable for India due to its importance in energy security, trade, maritime connectivity, and expatriate employment. However, recurring regional conflicts create serious economic, strategic, and diplomatic challenges for India. Rising oil prices, maritime insecurity, and geopolitical rivalries directly affect India's national interests.

India's response has been characterized by pragmatic diplomacy and strategic autonomy. By maintaining balanced relations with Israel, Iran, and Gulf monarchies, India has successfully expanded its influence while safeguarding economic and security interests.

As India seeks a greater global role and aims to strengthen its claim as the ***Voice of The Global South***, its engagement with West Asia will become increasingly important. It is expected to play a far more prominent role that it has played so far in the recent conflicts like Russia-Ukraine war, Israel-Iran war etc. This endeavor will test Indian leadership and its foreign policy makers much more than ever. Future success will depend on India's ability to diversify energy resources, strengthen maritime capabilities, protect diaspora interests, and sustain balanced diplomacy in an increasingly polarized geopolitical environment.

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