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EDITORIAL ANALYSIS

The Price of a War Far Above the Ground — Iran-Israel Conflict and India's Energy Stakes

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The Hindu

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EDITORIAL SUMMARY

The Hindu, April 21, 2026 — The editorial examines the cascading economic and strategic consequences for India of the 2026 Iran-Israel conflict, which has destabilised energy supply chains across the Middle East. India, which imports over 85% of its crude oil and relies on the Strait of Hormuz for a significant share of its energy needs, faces acute vulnerability as the conflict drives up oil prices and disrupts shipping insurance. The piece argues that India must use its strategic autonomy — maintaining ties with both Israel and Iran — to protect its economic interests while contributing diplomatically to de-escalation.

CONTEXT — THE 2026 IRAN-ISRAEL CONFLICT

The escalating confrontation between **Iran and Israel** in 2026 — including strikes on energy infrastructure and maritime threats in the Persian Gulf — has created the most serious Middle East energy disruption since the 1973 oil crisis. For India, the implications are direct:

- India imports **~87% of its crude oil** — the Middle East accounts for over **60% of these imports**
- The **Strait of Hormuz** — through which roughly **20% of global oil trade** passes — is India's primary LPG and crude import corridor
- Over **8.9 million Indians** live in Gulf Cooperation Council (GCC) countries, remitting approximately **\$40 billion annually** to India
- India's trade with the Middle East exceeds **\$180 billion annually**

INDIA'S ENERGY EXPOSURE

Crude Oil Imports

SOURCE	SHARE OF INDIA'S CRUDE IMPORTS
Middle East (total)	~60-65%
Russia (post-2022)	~35-38%
USA, Africa, others	Remainder
Iraq	Largest single supplier
Saudi Arabia	Second largest
UAE	Significant

The Iran-Israel conflict's impact on India operates through:

- 1 Price channel:** Brent crude rises with Middle East risk premium, increasing India's import bill. Each \$10/barrel rise in oil costs India ~₹1 lakh crore additional annually.
- 2 Insurance channel:** War-risk insurance premiums on tankers transiting the Persian Gulf spike during conflict, raising freight costs even for Indian oil tankers not directly targeted.
- 3 Supply disruption risk:** If Iran blocks the Strait of Hormuz — even temporarily — India faces acute supply shortage within 2-4 weeks given limited strategic reserves.

Strategic Petroleum Reserve — India's Vulnerability

India has **Strategic Petroleum Reserves (SPR)** at three locations (Vishakhapatnam, Mangaluru, Padur) — totalling approximately **5.33 million metric tonnes** (~36 million barrels):

SPR LOCATION	CAPACITY
Vishakhapatnam	1.33 MMT
Mangaluru	1.5 MMT
Padur	2.5 MMT
Total	~5.33 MMT

This covers approximately **9-10 days** of India's total consumption — far below the IEA's recommended **90-day** strategic reserve standard. The editorial highlights this as a critical structural vulnerability.

DIASPORA AND REMITTANCE STAKES

India's **Gulf diaspora** is both an economic asset and a geopolitical consideration:

- **8.9 million Indians** in GCC countries (Saudi Arabia, UAE, Kuwait, Oman, Qatar, Bahrain)
- Remittances: ~\$40 billion/year — India is the **world's largest recipient of remittances**
- The Gulf diaspora includes skilled professionals, semi-skilled workers, and blue-collar labourers

Any escalation that destabilises the GCC economies or disrupts air and sea corridors puts Indian migrant workers at risk — creating both economic and consular/evacuation pressures on the Indian government.

Operation Ajay (2023 — Israel) and **Operation Ganga (2022 — Ukraine)** demonstrate India's evacuation capability, but the Gulf represents a far larger diaspora requiring protection.

INDIA'S DIPLOMATIC TIGHTROPE

India-Israel Relations

India-Israel relations have deepened significantly:

- **Defence imports:** Israel is one of India's top 3 defence suppliers (drones, missiles, surveillance)
- **Agriculture and water technology** cooperation
- India abstained (rather than opposing) multiple UN resolutions on Israel-Gaza conflict — carefully calibrated

India-Iran Relations

India maintains significant ties with Iran despite US sanctions:

- **Chabahar Port** — India's strategic access to Afghanistan and Central Asia bypassing Pakistan; exempt from US sanctions
- **Farzad-B gas field** — India had long-sought stake (negotiations complicated by sanctions)
- Iran is a member of the **SCO (Shanghai Cooperation Organisation)**, of which India is also a member
- India purchases Iranian oil when sanctions regimes permit

The Balancing Act

India's strategic position — non-alignment in all but name — is both its greatest diplomatic asset and a constraint:

- **Cannot overtly support Israel** without damaging Arab/Iranian relations (energy suppliers, diaspora hosts)
- **Cannot condemn Israel** without straining a key defence technology partner
- India has consistently called for **dialogue and de-escalation** — a position that serves its interests without committing to either side

IMPACT ON RUPEE AND INFLATION

A sustained oil price spike has predictable second-order effects:

- **CAD widening:** India's Current Account Deficit expands as import bill rises; rupee depreciates
- **Inflation:** Fuel price passthrough (petrol, diesel, LPG, kerosene) raises headline CPI
- **Fiscal pressure:** Government may subsidise fuel prices, increasing fiscal deficit
- **RBI dilemma:** Rupee depreciation conflicts with inflation control; monetary policy tightened

The **₹1 lakh crore per \$10 barrel** heuristic means a conflict-driven spike from \$80 to \$100/barrel costs India roughly ₹2 lakh crore in additional oil import costs annually.

WHAT INDIA MUST DO — EDITORIAL RECOMMENDATIONS

- 1 **Accelerate SPR expansion** — India's 9-10 day reserve is dangerously thin; a 30-day reserve requires 3x the current capacity
- 2 **Diversify crude suppliers** — reduce Middle East concentration through increased engagement with USA, Canada, Brazil, West Africa
- 3 **Protect Chabahar diplomatically** — ensure US exemption continues regardless of conflict outcome
- 4 **Activate Gulf diaspora diplomacy** — use bilateral Gulf relations to coordinate evacuation readiness
- 5 **Engage UN Security Council** — India as a non-permanent member should use its platform to push for de-escalation
- 6 **Accelerate renewable energy** — each percentage point of domestic energy self-sufficiency reduces geopolitical vulnerability

UPSC RELEVANCE

PAPER	ANGLE
GS2 — IR	India-Israel, India-Iran, India-GCC relations; strategic autonomy
GS3 — Energy	SPR, crude oil imports, Strait of Hormuz, energy security
GS3 — Economy	Oil price impact, CAD, rupee, inflation, remittances
GS2 — Diaspora	Indian diaspora in Gulf; evacuation; consular services
Mains Keywords	Strategic autonomy, Strait of Hormuz, SPR, Chabahar, CAD, Gulf diaspora, Operation Ajay, energy security, Iran-Israel

KEY FACTS

- **India's crude import dependence:** ~87%; Middle East ~60-65% of imports
- **Strait of Hormuz:** ~20% of global oil trade passes through it
- **India's SPR:** ~5.33 MMT at Vizag, Mangaluru, Padur — covers ~9-10 days consumption
- **IEA standard:** 90-day strategic reserve
- **Gulf diaspora:** ~8.9 million Indians; ~\$40 billion in annual remittances
- **India-Israel defence:** Israel is among India's top 3 defence suppliers
- **Chabahar Port:** India's strategic access to Afghanistan/Central Asia; US sanctions-exempt
- **CAD sensitivity:** Each \$10/barrel rise costs India ~₹1 lakh crore additional annually
- **Operation Ajay (2023):** India's evacuation operation from Israel during previous escalation

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