



CONFLICTS IN WEST ASIA – INTERNATIONAL REALTIONS

NEWS: With vast economic ties and immense future potential, West Asia is among the most important regions for India's external economic relations. How could the expansion of the ongoing war in Gaza impact India's interests in the region?

WHAT'S IN THE NEWS?

Background of the Ongoing Middle East Conflict

- **Conflict Initiation:** Began on 7 October 2023 with attacks by Hamas and Palestinian Islamic Jihad (PIJ) on Israel.
- **Israeli Retaliation:** Led to extensive devastation in Gaza, escalating the human and physical toll.
- **Widening Conflict:**
 - Spread to Lebanon and the Persian Gulf.
 - Involvement of regional actors: Hezbollah, Ansar Allah (Houthis), militias in Iraq, and Iranian Revolutionary Guard Corps (IRGC).
- **Global Context:** Comes amidst ongoing economic strain due to the Ukraine war since March 2022.

India's Economic Ties with the Middle East

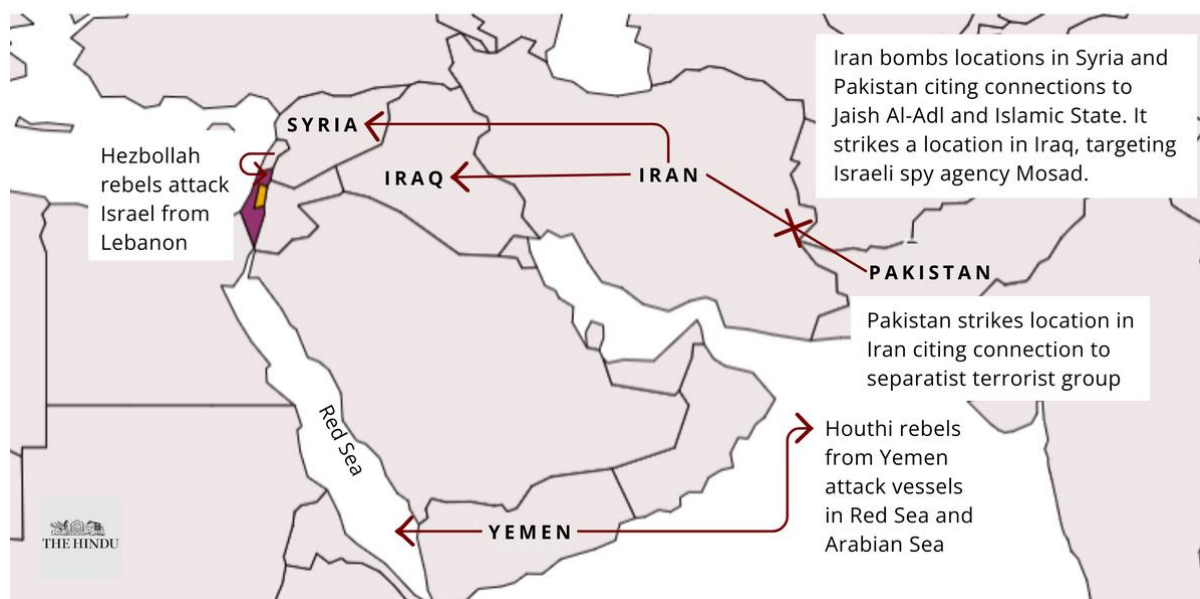
- **Strategic Importance:**
 - The Middle East is a key region for India's economic ambitions, focusing on trade, investments, and international economic integration.
- **Major Areas of Engagement:**
 - **Bilateral Trade:** Strong trading relationships, especially with Gulf Cooperation Council (GCC) countries.
 - **Energy Imports:** Middle East is a significant supplier of hydrocarbons.
 - **Investments:** Both inward and outward flows are crucial to economic ties.
 - **Remittances:** High volume due to the large Indian diaspora in the Gulf.
- **Important Partners:** GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE), along with Iran, Iraq, Israel, Türkiye, Egypt, Syria, and Jordan.
- **Connectivity Projects:** North Africa and the International North-South Transportation Corridor (INSTC) have become focal points.



Key Connectivity Initiatives and Agreements

- **INSTC:** A vital project passing through Iran, linking India to Central Asia, Russia, and Eastern Europe. Chabahar Port development is a major component.
- **India-Middle East-Europe Economic Corridor (IMEC):** MoU signed during the G20 Summit in September 2023 involving India, Saudi Arabia, the US, UAE, and European countries to enhance regional connectivity.
- **Partnerships:**
 - **I2U2:** Collaboration between India, Israel, US, and UAE for regional cooperation, particularly in food security and clean energy.
 - **Trilateral Agreements:** India-France-UAE for trade and strategic cooperation.
 - **CEPA with UAE:** A comprehensive economic partnership that began in May 2022.
 - **India-GCC Free Trade Agreement (FTA):** Talks to strengthen economic ties with GCC countries.

Regional conflicts in West Asia



Economic Impact of the Middle East Crisis

- **Potential Threats:**
 - Escalation of conflicts in Gaza, Lebanon, and Gulf region could disrupt economic ties.
 - Threats to Red Sea trade routes and energy supply stability.
- **Effects on Key Initiatives:**



- IMEC and I2U2 projects affected due to strained Arab-Israeli relations.
- Abraham Accords-inspired cooperation faces setbacks due to ongoing violence.
- **Saudi Arabia's Stance:**
 - Halted normalization with Israel, demanding progress on the Palestinian issue.
 - Likely to slow down IMEC development until the conflict resolution.

Potential Impact on India's Trade and Economy

- **Trade Disruptions:**
 - Potential interruptions in trade routes, especially if Red Sea routes are compromised.
 - Impact on India's connectivity projects, particularly the IMEC.
- **Energy Concerns:**
 - Increased tensions between Israel and Iran could lead to energy supply disruptions.
 - Rise in oil and gas prices, causing inflation and economic instability.
 - Challenges for fiscal management due to increased costs in essential commodities.
- **Budgetary Implications:**
 - Potential need for subsidies to manage oil and gas costs domestically.
 - Could strain India's fiscal planning and budget allocations.

Diplomatic and Strategic Implications

- **India's Diplomatic Balance:**
 - Thus far, New Delhi has balanced relations with Israel, Arab Gulf states, and Iran.
 - Maintained a consistent position on anti-terrorism and support for Palestinian statehood.
- **Uncertain Future:**
 - Growing regional tensions and the risk of further escalation may challenge India's diplomatic stance.
 - Potential need for recalibration of policies if conflict intensifies.

Broader Geoeconomic Ramifications

- **Regional Stability Concerns:**
 - Expanded conflict could destabilize the Gulf region, crucial for India's energy security.
 - Disruption in Red Sea routes can escalate global trade costs.



- **Hydrocarbon Supply:**
 - India has diversified energy imports, reducing dependency on the Middle East, but risks remain.
- **IMEC as an Alternative:**
 - IMEC could serve as a new trade route bypassing Red Sea risks, but it is still under development.
- **Economic Diversification:** India's efforts to diversify energy sources provide some resilience.

Impact of Potential US Policy Shifts

- **Election of Donald Trump:**
 - Possible policy changes in the US under Trump's leadership.
 - Pledge to end conflicts in Ukraine and Gaza might change dynamics.
- **Risks:**
 - Previous administration's stance suggests possible escalation of US-Iran tensions.
 - Increased pressure on Iran could complicate India's relations with both the US and Middle Eastern countries.
- **India's Preparedness:**
 - Need to engage international partners for contingency planning.
 - Strategic emphasis on safeguarding economic and security interests.

Conclusion: India's Path Forward

- **Geoeconomic Challenge:** The Middle East conflict presents a critical challenge for India's regional economic engagements.
- **Current Impact:**
 - Limited effect on India's economy so far due to early-stage projects like IMEC and I2U2.
 - Diversified energy sources have mitigated immediate risks.
- **Future Focus:**
 - Monitor developments in the region closely.
 - Prepare contingency measures for potential disruptions.
 - Continue diplomatic engagements to maintain a balanced regional presence.



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- Emphasize collaboration with global and regional partners to protect economic interests and trade routes.

Sources: <https://indianexpress.com/article/upsc-current-affairs/upsc-essentials/implications-of-escalating-gaza-war-for-india-9683997-upsc/>



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