

India's trade with Israel and Iran

Why in news?

India-Israel trade has doubled in the last five years, while the value of India-Iran trade came down in the same period.

What is the India-Iran-Israel trade dynamics?

Key aspects	India-Israel trade	India-Iran trade
Trade volume	A robust growth has been experienced over the past 5 years, doubling from 5.56 billion dollars in 2018-19 to 10.7 billion dollars in 2022-23.	India's trade with Iran has seen fluctuations in recent years, with bilateral trade reaching 2.33 billion dollars in 2022-23.
Trade components	Major exports to Israel- Diesel, diamonds, aviation turbine fuel, radar apparatus, Basmati rice, T-shirts, and wheat.	Major exports to Iran- It is primarily focused on agricultural goods and livestock products.
	Major imports to India- Space equipment, diamonds, potassium chloride, mechanical appliances, turbo jets, and printed circuits	Major imports to India- Methyl alcohol, petroleum bitumen, liquified butanes, apples, liquified propane, dates, and almonds.
Trade surplus	India maintains a <i>significant trade surplus</i> with Israel, with exports outweighing imports, resulting in a surplus of 6.13 billion dollars in India's favor in 2022-23.	India also maintains a trade surplus with Iran, with exports exceeding imports by about 1 billion dollars in 2022-23.
FDI	Israel's FDI in India is relatively low, accounting for just 0.4% of total FDI inflows, while Indian firms have invested more in Israel.	Iran's FDI in India is minimal, recorded at just 1 million dollars, while India is involved in infrastructure development in Iran, particularly the <i>Shahid Beheshti Port</i> at Chabahar.

To know about Iran-Israel conflict click [here](#)

How could Middle East tensions impact the Indian economy?

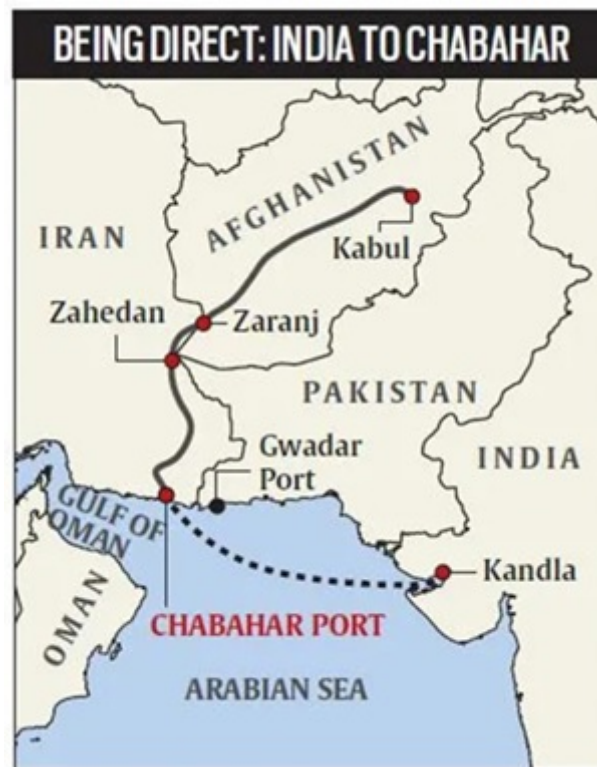
- **Tension in Middle East-** Houthis, *Yemen*-based militants have fired at some ships passing through Red sea says it is in opposition to Israel's military action in the Gaza Strip, while Israel accuses Iran of backing the Houthis.
- **Red sea crisis-** Red sea is in conflict due to ongoing Gaza war impact that could lead to shipping disruptions, which might worsen India's trade issues.

Red Sea is a vital trade route connecting Europe and Asia, with about 12% of

global trade passing through it.



- **Longer shipping route**- Due to the conflict, some ships have been forced to take longer routes around the Cape of Good Hope, which could potentially lead to higher oil and gas prices globally.
- **Trade disruption**- The conflict between Iran and Israel could exacerbate India's trade problems due to shipping disruptions in the Red Sea.
- **Higher transit time** - Trade with Europe, the U.S. east coast and to North Africa is taking the longer route and thus elongating both export and import cycles.
- **Increase in freight costs** - It may affect all consignments by up to 6-fold in some cases which may also be due to peak season surcharge and contingency surcharge.
- **Higher fuel burning** - Long route ships could burn a million dollars' worth of fuel per trip.
- **Impact on crude oil production**- While major crude oil producers like the USA, Russia, and North Sea operators are not directly involved in the conflict zone, disruptions in the Red Sea could affect global oil and gas prices.
- **Rise in petrol prices**- As per think tank *Global Trade Research Initiative* (GTRI), there is unlikely to be any rise in petrol prices in India as a result of ongoing tensions in the Middle East.
- **Government intervention**- In India, any potential rise in petrol prices could be offset by government measures such as reducing taxes, minimizing the impact on consumers.
- **Halt in strategic developments**- India's development of the Shahid Beheshti Port in Iran, could also be affected by the ongoing tensions and conflicts in the region.



- **Delay in economic projects**- The instability in West Asia could delay or halt projects like the ***Middle East-Europe Economic Corridor*** (IMEC), affecting long-term economic plans and cooperation.

Quick facts

Middle East-Europe Economic Corridor

- **About**-It is a network of transport corridors that aims to foster connectivity and economic integration between South Asia, Arabian Gulf and Europe.
- It is a part of the Partnership for Global Infrastructure Investment (PGII).
- **Member countries** - India, the US, Saudi Arabia, the European Union, the UAE, France, Germany and Italy.
- **Route** - IMEC will consist of 2 distinct corridors
 - **Eastern corridor**- It links India to the Arabian Gulf,
 - **Northern corridor**- It links the Arabian Gulf to Europe.
- **Connectivity**-The corridor will include a rail link as well as an electricity cable, a hydrogen pipeline and a high-speed data cable.
- **Green bridge**-The project is also called as “a *green and digital bridge* across continents and civilizations.”
- **Significance** - It is being positioned as a *modern-day Spice Route*, and *alternative to China’s Belt and Road Initiative*.
- The corridor also extends India’s reach to North Africa and North America.

Reference

[Indian Express- India, Iran and Israel trade dynamics](#)



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