



Disruptions in the Gulf: Implications for India's Trade Facilitation and Logistics

Prabir De, Adrija Ganguly and Srinivas Rao*

1. Introduction

The decade long deep-rooted conflict between Iran and Israel has finally converted into a full-fledged war. This time Iran-Israel war is not restricted between them, but it has seen active involvement of the United States. On 28 February 2026, the US and Israel launched large scale air strikes on Iran attacking the key military sites, resulting which Iranian Supreme Leader Ayatollah Ali Khamenei had succumb to death. The consequence of war further escalated with effectively closure of the Strait of Hormuz, which has been a key shipping route linking the Gulf of Persia with Gulf of Oman and Arabian Sea. The Strait of Hormuz is also one of the most critical oil chokepoints, handling over 20–25 per cent of global

daily oil supply and significant LNG. The potential shutdown of Strait of Hormuz means a massive spike in energy prices, disruption of supply chains, fuelling inflation, and further causing global recessionary pressures.

Table 1: Growth Rates of Indian Economy (%)

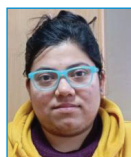
	2025-26	2026-27
Real GDP	7.6	6.6
Private Consumption	7.7	7.0
Gross Fixed Capital Formation	7.1	6.7
Government Expenditure	6.6	6.3
Exports	6.5	6.5
Imports	6.4	6.7

Source: World Bank (2026)

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¹ Refer, for example, <https://unctad.org/news/global-trade-2025-resilience-under-pressure>

² It increased to US\$ 112.17 per Bbl on 20 March 2026, <https://tradingeconomics.com/commodity/brent-crude-oil>

³ Average voyage haul having increased from 4,831 miles in 2018, to 5,245 miles in 2024, as security concerns redraw the map of global shipping. Seaborne trade in ton-miles increased by 5.9 per cent in 2024 on 2023, close to three times the increase in the volume of maritime trade (UNCTAD, 2026).

There are several implications of the Iran-Israel war and subsequent closure of the Strait of Hormuz on India. For example, recent forecast of the World Bank shows that Indian economy is likely to face growth deceleration in view of the war in Middle East. India's real GDP growth is estimated to decline to 6.6 per cent from the current 7.7 per cent (Table 1). The onset of the war has already imposed severe damages on the economy. Hence, it is worth exploring the likely consequences of the war on the Indian economy.

Given above, this policy brief discusses the potential threat on geopolitical situation, economic growth, trade and transportation in case of India due mainly to the closure of Strait of Hormuz, and the possible way forward.

2. Adverse Impact of War and Ongoing Geopolitical Tensions on India

Supply Chain Disruptions and Rising Trade Costs

Pre-existing fractures in the global trading system driven by geopolitical shifts and an increasingly dynamic policy environment characterized by rising tariffs, and weakening multilateral cooperation are disrupting supply chains and reshaping global trade flows¹. Maritime chokepoint like the Strait of Hormuz has become crucial for global maritime trade in energy products such as crude and refined oil, liquefied natural gas (LNG) and fertilizers. The closure of the strait has promptly affected the oil market, with brent crude oil price reaching up

to US\$ 112 per Bbl². The rise in crude oil price and closure of the strait are going to pose serious threat to global trade and development. Among others, India being fastest growing emerging economy is having downsides. The UNCTAD Report (2025) shows that world maritime trade volumes reached 12,720 million tonnes in 2024, grown by 2.2 per cent. Yet, the growth rate lagged below the average 2.9 per cent, recorded over the 20 years from 2003 to 2023. Marked by downside risks, the outlook for global seaborne trade is appeared to be increasingly complex. Such volatilities have started affecting the overall growth of maritime trade, thus indicating a longer-term deceleration in the expansion of global maritime trade volume (Figure 1).

Every external shock in the past adversely affected the maritime trade. For example, global maritime trade witnessed negative growth in 2009 due to the Global Financial Crisis (GFC). Similar situation was appeared during the COVID-19 period. Today, global maritime trade has been facing the issue of volatility, rerouting of cargo flows and uncertainties. The rerouting of maritime trade and subsequently increased trade costs are very much evident. Because of the disruption, maritime trade now travels significantly longer distances.³

Key maritime chokepoints such as the Suez and Panama canals are increasingly vulnerable to geopolitical tensions, conflicts, and climate change. The closer and halt of Strait of Hormuz more recently has added to this supply chain disruption and slowing down of the maritime trade. These disruptions

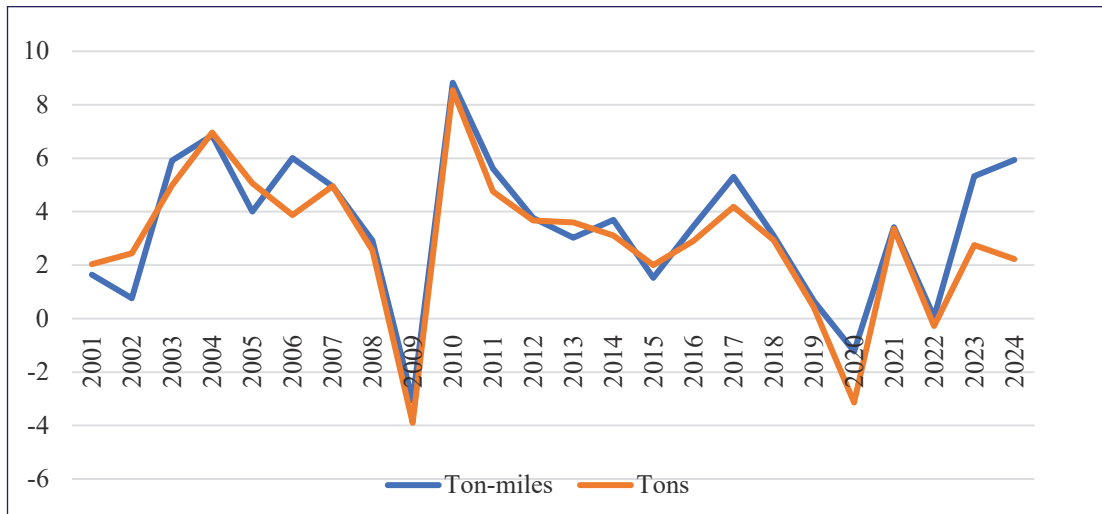
Figure 1: Trends in Maritime Trade Growth (Annual), 2001-2025



Note: Data for 2025 is a forecast.

Source: UNCTAD (2025). The Review of Maritime Transport 2025. Geneva

Figure 2: Rerouting of Maritime Cargo, 2001–2024



Note: A ton-mile represents one ton of cargo transported over a distance of one mile. It measures maritime trade adjusted to the distance travelled.

Source: UNCTAD (2025). The Review of Maritime Transport 2025. UN Trade and Development.

are causing shift in the trading pattern as well as reconfiguring of shipping lanes and also revising the maritime trade geography. Rerouting of vessels is now pushing an increase to ton-miles the distance each cargo travels. The tons-miles added to cargo has

grown faster than rise in trade volume growth as shown in Figure 2. However, the maritime trade registered stronger growth in 2024 (2.2 per cent in volumes and 5.9 per cent in ton-miles), broadly due to rerouting around the Cape of Good Hope as the disruption of Red

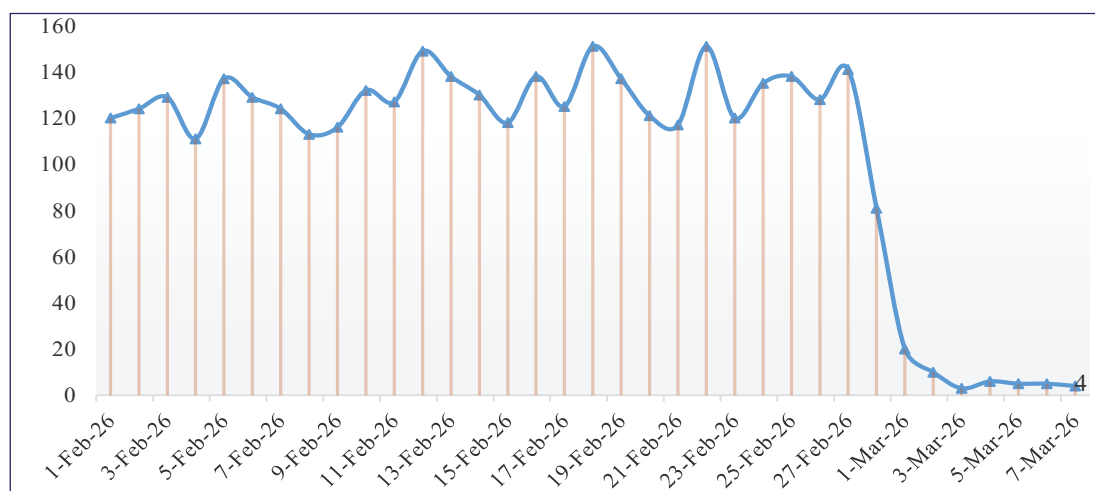
Sea persisted. This diversion of shipping routes, caused strained to supply chains, and raising costs—having deeper effects to food security, energy supplies, and the global economy, as above 80 per cent of world trade volume moves through sea and the percentage is even higher for most developing countries and the most of trade in crude oils, gas, fertilizers includes trade in critical minerals, etc. Vulnerable economies, especially SIDSs and LDCs, are hardest hit by rising shipping costs from the rerouted vessels. In particular, the total number of daily ship transits through Strait of Hormuz declined consistently from 120 to 4 during 1 February to 7 March 2026 (Figure 3). The Strait of Hormuz is one of the world’s most critical maritime chokepoints, carrying around a quarter of global seaborne oil trade and significant volumes of liquefied natural gas and fertilizers.

Despite of the crucial role played by maritime transport in country’s growth and development⁴, India has

been facing increased volatility, poised by unpredictable shipping routes, port call patterns, and strategic planning. The rerouting through diversion routes or U-turns to India may result in steep rise in per-container costs, while the longer distances rising faster than volumes. Such supply chain disruption and the associated vulnerabilities have adversely impacted both exports and imports, particularly import dependent countries including India.

The Strait of Hormuz, despite being a narrow chokepoint, handles nearly one-fifth of India’s total merchandise imports, about half of its crude oil and LPG shipments, and is estimated to affect around 14 per cent of exports in 2024–25. Besides, 30 per cent of India’s fertilizer imports originating from nine West Asian countries, namely, Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, the UAE and Yemen. While these countries also represent 14 per cent of India’s total exports, agricultural exports account for 21 per cent, with 36

Figure 3: Total Number of Daily Ship Transits through Strait of Hormuz (1 February to 7 March 2026)



Source: UNCTAD (2026). Strait of Hormuz Disruptions Implications for Global Trade and Development. United Nations Conference on Trade and Development, 10 March 2026.

per cent of rice exports going to West Asian countries.⁵

Besides, around 37 Indian-flagged ships were halted near Persian Gulf with more than 1000 seafarers were stuck on board due to the war causing large scale supply blockage and leading to increase in trade costs.⁶ It has also been observed that firms in the logistics sector reported that 40,000 to 45,000 tonnes of cargo were stranded either in transit or at various international ports, representing exports worth approximately US\$ 1–1.15 billion⁷.

Crude oil turning out to be a bedrock for Indian economy, hindrance to supply of it will ramp up inflation to another level, along with this it will also add fiscal strain due to rise in import bill. Indian rupee depreciated from ₹ 89.98 to ₹ 92.35 per one US dollar from 1 January to 12 March 2026 (RBI, 2026),⁸ which will put more pressure on import bill, and, hence, widening current account deficit exerting push to rise fiscal deficit.

The onset of war has caused not only disruptions in supply chain but also rising freight charges. The marine insurers' abandoned war risk coverage for vessels is leading to rise in overall shipping cost of oil from those regions⁹. With starting of the war 400,000 metric tonnes of basmati rice was stuck at mid-transit port, exporters were grappling with the situation to ship the consignment so as to avoid rising freight cost and transport disruptions. The war situation has impacted the export of Gulf-bound fruits. For example, around 1250 ships carrying fruits were stranded near Mumbai

port, hence, further causing supply chain disruptions to West Asia.¹⁰ Not only the sea shipments, but also the air shipments were disrupted due to warfare, further disrupting shipments of fruits to West Asian countries¹¹.

Disruptions in the Strait of Hormuz highlight the vulnerability of critical maritime chokepoints to geopolitical tensions, with ripple effects across supply chains and commodity markets. The economic impacts are visible, with developing economies particularly exposed due to high debt burdens, limited fiscal space, and rising energy, transport, and food costs that strain public finances and household budgets, threatening progress toward sustainable development. Therefore, mitigating the risks requires safeguarding maritime transport and civilian infrastructure while ensuring secure trade corridors under international law (UNCTAD, 2026).

Trade Diversification

Gulf countries are happened to be the vital export destinations for major Indian commodities. Around 15 per cent of India's total trade is with the GCC countries. The UAE has been almost second largest export destination consistently for India over three decades (MEA, 2025). Saudi Arabia remains to be fourth largest export partner for India. The bilateral trade of India with the GCC countries has increased to US\$ 178.56 billion, comprising US\$ 56.87 billion exports and US\$ 121.68 billion imports¹². India's major export products to GCC destinations are agricultural items including rice, textiles, gems

⁵ <https://www.hindustantimes.com/editors-pick/whats-at-stake-for-india-in-the-strait-of-hormuz-number-theory-101773112870062.html>

⁶ <https://www.ptinews.com/story/national/west-asia-conflict-37-indian-flagged-ships-with-1-109-sailors-stuck-in-persian-gulf-gulf-of-oman/3432805>

⁷ https://www.business-standard.com/economy/news/us-waiver-russian-oil-covers-rosneft-lukoil-india-seeks-lng-lpg-routes-126030800659_1.html

⁸ Reserve Bank of India (retrieved on 13march 2026)

⁹ <https://www.aljazeera.com/economy/2026/3/3/maritime-insurers-cancel-war-risk-cover-in-gulf-will-it-spike-energy-cost>

¹⁰ <https://thehindubusinessline.com/economy/agri-business/west-asia-conflict-strands-indian-fruit-exports-at-ports-airports/article70722143.ece#:~:text=More%20than%201%2C250%20sea%20containers,the%20ongoing%20Iran-Israel%20war.>

¹¹ <https://thehindubusinessline.com/economy/agri-business/west-asia-conflict-strands-indian-fruit-exports-at-ports-airports/article70722143.ece#:~:text=More%20than%201%2C250%20sea%20containers,the%20ongoing%20Iran-Israel%20war.>

¹² <https://www.eoiriyadh.gov.in/page/india-gcc-relations/#:~:text=5.,GCC%20investment%20by%20December%202024.>

¹³ https://oec.world/en/visualize/tree_map/hs92/export/ind/bhr.irn.omn.sau.ara/show/2024

¹⁴ <https://www.dailyexcelsior.com/india-has-started-feeling-the-impact-of-war/>

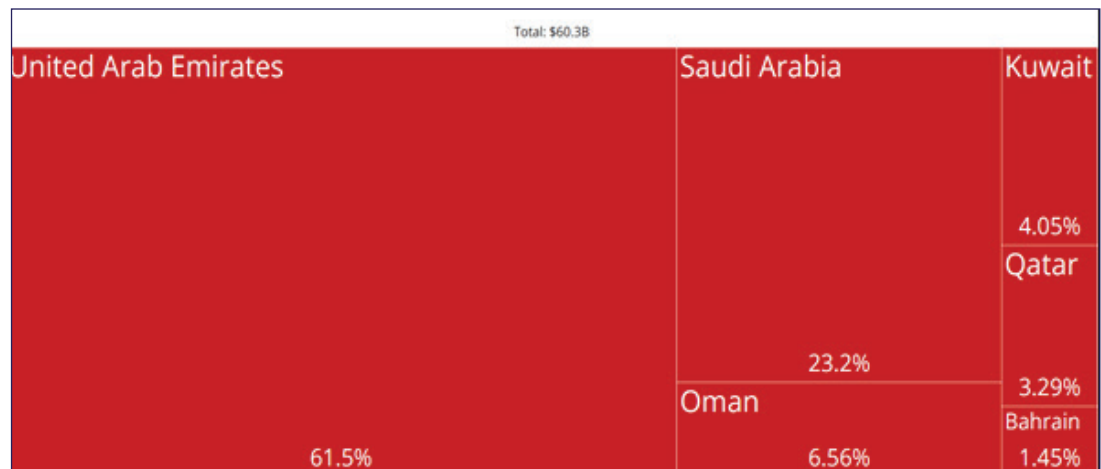
& jewellery, leather and engineering goods. Figure 4 illustrates the export destinations of India. Saudi Arabia has the import demand of almost US\$ 25.5 billion; Iran has US\$ 2.44 billion and other countries like Oman is having around US\$ 7.17 billion. The data from the OEC world for the year 2024¹³ shows that India is having trade surplus with Iran (US\$ 194 million), but having large trade deficit with Saudi Arabia (US\$ 16.9 billion), Oman (US\$ 561 million), the UAE (US\$ 18.6 billion). Therefore, the trade linkages between India and GCC highlight the gravity of the situation. Quite naturally, disruptions of Strait of Hormuz thus directly escalate trade costs, and the delay in shipments will reduce export competitiveness.

Figures 4 and 5 represent India's export to GCC and commodities exported to West Asia, respectively. India exports mostly refined petroleum products, broadcasting equipment, jewellery and Vehicles and transportation commodities accounting for US\$ 57.2 billion in 2024 to GCC

countries. India's exports of these items have been already affected. Pharmaceutical industry of India is another highly vulnerable in the context of ongoing conflict. Existing literature highlights the importance of export diversification. Ganguly and Ghosh (2026) noted that, after the US, Kenya and Saudi Arabia, the UAE holds significant share in export of India's generic medicine. High value items are exported by India to these countries, and concentration of around US\$ 60 billion trade to this region will adversely affect export earnings. Thus, supply chain disruptions in Gulf region possess significant risk to India's exports. Shipping delays and financial sanction regimes are the other factors causing woes to exporters¹⁴.

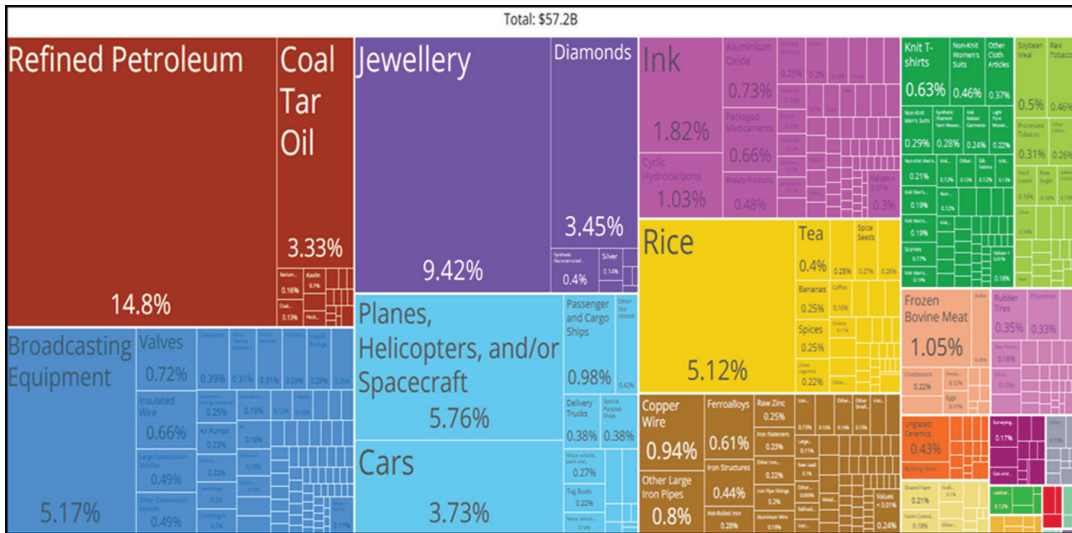
To what follows is that given the higher dependence on the Strait of Hormuz for trading with GCC countries, disruptions expose structural vulnerability of India's export dependence on these countries. Rising geopolitical tension underscores the need for strategic diversification.

Figure 4: India's Exports to GCC



Source: Economic Complexity, MIT lab.

Figure 5: India's Exports to West Asia



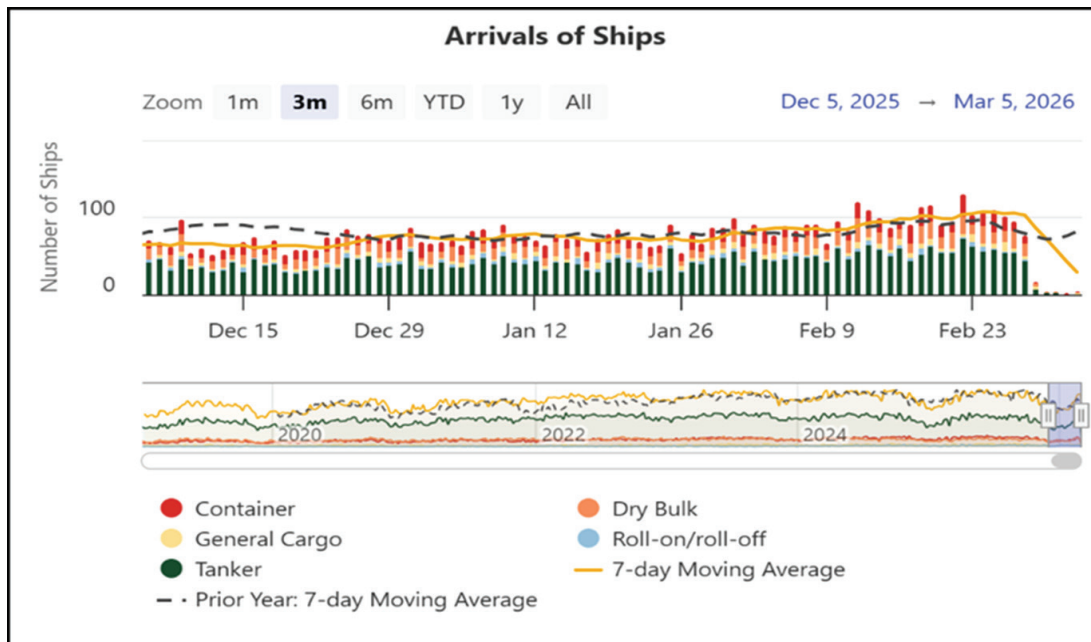
Source: Economic Complexity, MIT lab.

Countries of Africa, Latin America, European countries or central Asian region can be potential export destinations for such high-valued items. Furthermore, moving up the quality ladder has become imperative for the country for diversification of its trade partners.

Losing Trade Competitiveness

India's trade competitiveness is at stake due to the cascading effect of the war. The most hard-hit segment remains the shipping of consignments to the destinations. The rising of freight charges, insurance cost of shipping, along with fuel costs rise add woes to

Figure 6: Arrival of Ships at Strait of Hormuz



Source: IMF port watch.

exporters. Exports of perishable items are at a complete loss. At the same time, the rise in war-risk surcharges such as cost recovery charges (ECRC), contingency charges and peak season charges is eliminating the margins of exporters. Exporters withdrew cargo from ports and redirected it to domestic markets. The exporters incurring loss due to additional payment of surcharge of US\$ 3,000 to US\$ 5,000 per container. Due to closure of the Strait of Hormuz, the ships are taking longer routes around Cape of Good Hope causing delays to the shipment around 10 days, according to the Kpler data.¹⁵ The drastic fall in the arrival of ship at the Strait of Hormuz can be seen from the Figure 6. Delay in shipments, long standing cargoes, rising freight charges cumulatively increasing the cost of imports, adding to this situation depreciation of rupee (through large scale withdraw of FIIs and Indian equity and costlier import

bill fetching dollar demand). Due to the aforementioned scenario, imported inputs for production in sectors like machinery, pharmaceutical and others will become dearer. Hence, rising cost of production might affect India's trade competitiveness.

Besides, the shortage of crude, crucial for production process, is adding to a greater extent to manufacturing overheads, logistics costs and thereby depleting the margins in cost sensitive sectors like textiles. At the same time, the impact is extended to export demand channels. For example, Iran happens to be major market for Indian basmati rice, tea and pharmaceuticals. The war and the sanction are not only causing delays in shipment and unpredictability in shipping but also reducing the demand from such countries.

Energy Impact

The Strait of Hormuz acts as most important chokepoint for global energy

Table 2: Transit of Crude Oil and Petroleum Liquids through Key Global Chokepoints (million bpd)

Location	2020	2021	2022	2023	2024	Q1(H25)
Strait of Malacca	22.8	22.1	23	24	22.5	23.2
Strait of Hormuz	19.2	19.7	21.9	21.8	20.7	20.9
Suez Canal and SUMED Pipeline	5.4	5.2	7.3	8.8	4.8	4.9
Bab el-Mandeb	5.7	6	8	9.3	4.1	4.2
Danish Straits ^a	3.1	3.1	4.2	5	4.9	4.9
Turkish Straits (Dardanelles)	3.2	3.3	3.2	3.5	3.6	3.7
Panama Canal ^b	1.7	1.8	2.2	2.2	2	2.3
Cape of Good Hope	7.9	7.2	6.1	6.2	9.3	9.1
World maritime oil trade	74.1	75.9	78.6	80.2	79.7	79.8
World total oil supply	94.1	95.8	100.6	102.6	103.3	104.4

Sources: U.S. Energy Information Administration (EIA), Short-Term Energy Outlook, February 2026, and EIA analysis based on Vortexa tanker tracking and Panama Canal Authority data, using EIA conversion factors and calculations. ^bData for the Panama Canal are by fiscal year (October 1 to September 30).

transit. Around 19 million-barrels oil per day pass through the strait through a narrow stretch at the mouth of Persian Gulf (EIA, 2025). Any traffic slowdown at this narrow stretch causes the spread of tremors to global oil market leading to soar of oil prices. However, near closure of the strait is having hard hit to Asian countries such as South Korea, Japan, Sri Lanka and most obviously India. India's annual import of crude is about 206.3 million tonnes (2025-26)¹⁶ and the country is heavily dependent on imported crude and LPG from West Asia, in particular; around 46.9 per cent of country's total import from Gulf countries and approx. 50.1 per cent from the OECD countries. Therefore, the Strait of Hormuz highlights the crucial role of the region on India's energy security¹⁷. The volume of crude oil and liquefied petroleum passing through various chokepoints is given in Table 2, where the Strait of Hormuz is denoted as most vital chokepoint after the Strait of Malacca due to the rise in transportation of millions of barrels per day to 20.7 in 2024 and 20.9 in first half of 2025, which accounts for nearly 6.3 per cent rise in four years and 8.9 per cent rise in first half of 2025, respectively. Hence, the disruption of the normal shipping route will add further to miles of transit for rerouting, which eventually led to the rise in shipping cost embedded in the price of natural gas and oil, leading to rise in their final prices too. As alternate to West Asia for energy sources, India is now contemplating supplies from Australia, the US, Canada and many other countries.¹⁸ Although Russia has

turned out to be only 60 per cent of oil supplies to India, the present situation has forced to rely on Russian oil import, which was halted since November, 2025 due to the US sanction.

Sectoral Impact

Although the impact is felt highly on the external trade, but its ripple effects is also sensed on the macroeconomic front as whole. Due to rise of crude prices, the prices of inputs to production have soared. The distress is severely felt in the area of fertilizer, since the Gulf region serves as major supplier of fertilizers to India. India imports 30 per cent of fertilizer requirements from West Asia¹⁹. Corporate margin is also at stake. There is a chance of squeezing of it if tension continues.

Energy is vital for aviation sector as well. Rising price and shortage of supply will force the aviation fare to go up, thus impacting the global travel industry.

In case of Gems and Jewellery, West Asia is considered to be significant trading hub, 68 per cent of India's rough diamond is imported from the UAE and Israel²⁰.

India's limestone import is of US\$ 483 million, vital for manufacturing of cement. The import of input is relied heavily on West Asia, amounting to around 68.5 per cent of its total annual import. Hence, supply crunch will affect through shooting up of the cement prices.²¹

Sulphur remains key to chemical and fertilizer industry, which also account for more than 50 per cent of its import.²²

¹⁶ <https://www.downtoearth.org.in/energy/iran-israel-conflict-heightens-risks-to-indias-energy-security-inflation-and-fiscal-stability-government-review>

¹⁷ <https://energy.economicstimes.indiatimes.com/news/power/strait-of-hormuz-a-major-concern-for-indias-energy-security/122024804>

¹⁸ Refer, <https://economicstimes.indiatimes.com/news/economy/foreign-trade/india-looking-at-alternative-markets-to-buy-gas-australia-canada-offered-to-sell-amid-w-asia-conflict-govt-sources/articleshow/129088305.cms?from=mdr>

¹⁹ Refer, https://www.telegraphindia.com/business/strait-of-hormuz-disruption-threatens-india-economy-from-energy-to-exports-prnt/cid/2150034#goog_rewarded

^{20, 21, 22, 23, 24} https://www.telegraphindia.com/business/strait-of-hormuz-disruption-threatens-india-economy-from-energy-to-exports-prnt/cid/2150034#goog_rewarded

²⁵ <https://www.newindianexpress.com/states/andhra-pradesh/2026/Mar/11/iran-war-hits-egg-exports-ap-poultry-farmers-in-distress#:~:text=Andhra%20Pradesh,Andhra%20Pradesh%20and%20Tamil%20Nadu.>

²⁶ [India/business-standard/20260312 / page/16](https://www.business-standard.com/news/india/20260312/page/16)

²⁷ https://www.business-standard.com/world-news/west-asia-conflict-clouds-cast-shadow-on-india-gulf-labour-corridor-12603080901_1.html

²⁸ <https://www.deccanherald.com/opinion/gulf-uncertainty-tests-kerala-but-new-opportunities-may-emerge-3969255#:~:text=It%20is%20after%20one%20week,The%20situation%20is%20quite%20concerning.>

²⁹ <https://www.cnbccom/2026/03/05/iran-conflict-india-impact-remittance-pipeline.html#:~:text=Chance>

Textile sector production of synthetic fibre is very much dependent on crude derivatives, and higher oil prices will raise the input cost. However, demand and supply condition may ensure on passing the burden partially to consumers. This will add woes to consumers through affecting retail inflation.

Metal sector is another critical input for production process due to fundamental nature of this on infrastructure build-up. Import of US\$ 869 million of copper wire²³ by India highlights the need of the input in expansion of power transmission, electrical equipment and renewable energy infrastructure.

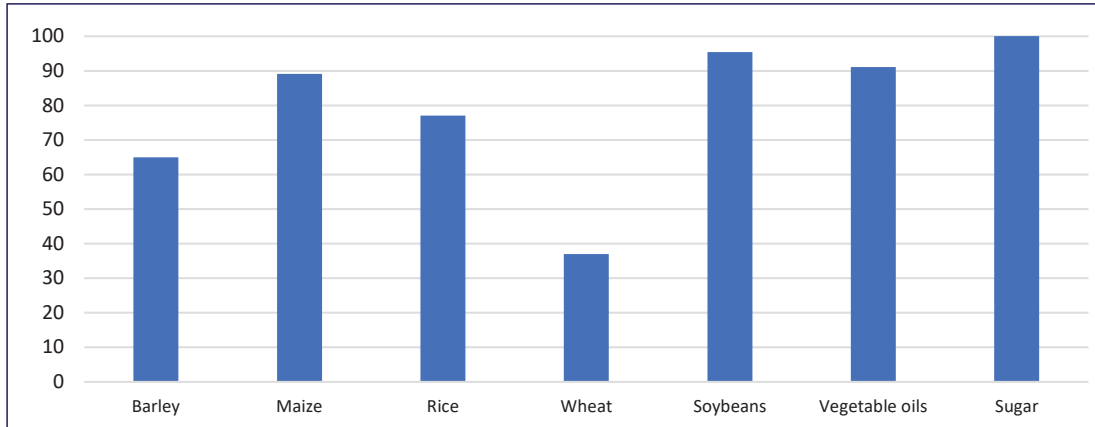
India tends to export significant share of ceramic items, accounting for 40 per cent of revenue.²⁴ The sector is dependent on LNG and LPG as fuel for production. The conflict has inflicted two-fold cost, one delay in shipping, and other, dent in earnings and margins.

West Asian countries used to import large-scale egg from the south Indian districts of India. The air and water shipments disruptions have caused repercussion effect to domestic market through reducing the egg prices. As the shipments cannot reach export destinations, creating surplus production of eggs in the domestic market, thereby pressurizing the prices of the eggs to be downward biased. This has been causing loss of export of Indian eggs in the West Asian markets and reducing price drop in domestic market and the fall in poultry farmer income²⁵.

3. Other Adverse Effects of War on Domestic and World Economy

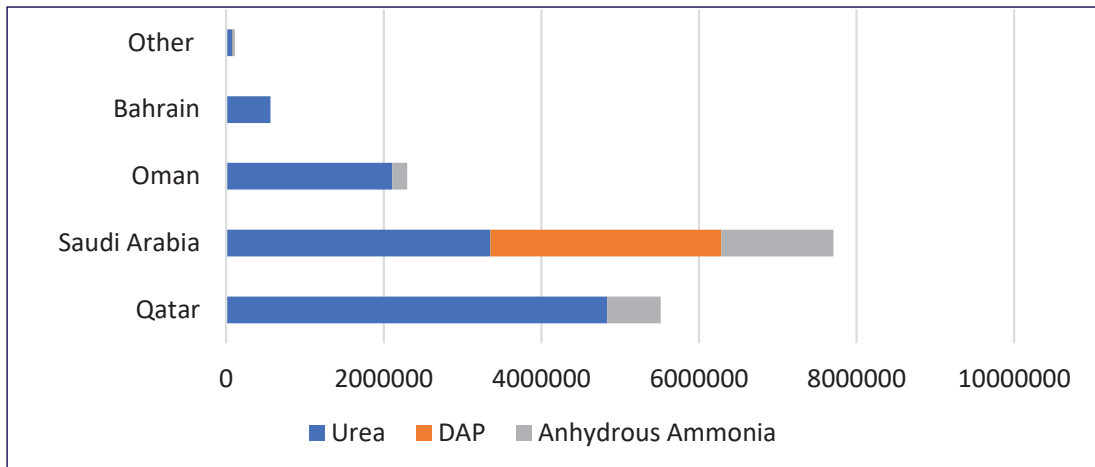
The escalation of war has caused spillover effect beyond energy sector significantly impacting both domestic and global economy. In case of domestic economy, the disruption has severely affected Indian workforce and remittances flow from the Gulf countries. Labour remains an important pillar of the economy. India is happened to be among world's largest supplier of seafaring workforce. Due to the war, around 20,000 seafarers were abandoned in the Gulf region with heightened risk and issues of daily life²⁶. The overseas labour market is at high risk since the recruitment is now halted. Thousands of labours were stranded impacting the migration flow and supply of labour to the Gulf region working for major refinery projects²⁷. Both white- and blue- collar job workers are largely employed in Gulf countries, and, around one-fifth of gross state domestic product of Kerala comes from the Gulf region.²⁸ During the war, the workforce remained stranded in these regions leading to insecure and uncertain environment. Hence, not only the supply of LPG, natural gas and crude turned out to cause problem but fall in Indian labour migration to Gulf countries leading to decline in remittances flow to India. Gulf countries contribute to around 38 per cent of total remittances inflow to India. Out of US\$ 135.4 billion inflow, Gulf countries has the share of US\$ 51.4 billion (CNBC, 2026)²⁹.

**Figure 7: Import Dependence of Persian GCC
(as a Percentage of Domestic Consumption)**



Source: US Department of Agriculture, Foreign Agricultural Service. Notes: countries included for the calculation is Bahrain, Iran, Iraq, Kuwait, Oman, Saudi Arabia and United Arab Emirates. Import dependence is calculated as imports divided by domestic consumption

**Figure 8: Fertilizer Exports by Gulf Region in FY 2023-24
(Quantity in Metric Tonne)**



Source: FAOSTAT.

For global economy the conflict has inflicted heavy burden of trade disruption and supply chain vulnerabilities as the strait remains a critical chokepoint for passage of major traded items. While much attention is given to energy trade interruption, the impact extends beyond energy trade. Gulf countries are heavily reliant on food imports. Figure 7 shows the import demand of the GCC region.

Hence, the blocking of chokepoints is causing disruptions in supply of essential edible commodities like rice, vegetables, fruits, oilseeds and sugar to these regions. For example, Oman is heavily dependent on importing of staple item like rice, which is making them vulnerable to the supply chain disruptions.

Therefore, the closure of chokepoint has added not only woes to global energy trade but also destabilizing agri-commodity supply chain, thereby causing inflationary pressure and food insecurity for import dependent countries.

Rise of energy and fertilizer prices will have severe impact on global food security; bulk of the fertilizers is exported from the Gulf region to the world (refer Figure 8). As stated by the IFPRI (2026), dipping of shipping activity through the Strait of Hormuz will push up the fertilizer prices as countries like Oman, Qatar, Saudi Arabia, Bahrain are significant fertilizer exporters, hence, one-third of global fertilizers trade could be affected. However, Iran is also significant producer of nitrogenous fertilizers but not significant amount of it is exported. Apart from India, access to fertilizers, may worsen for some of the poorest countries of the world.

Ripples of war tremors has not left domestic market untouched. Overall manufacturing sector is hard hit and will be under pressure if the war situation prolonged. Sectors like chemical, fertilizers, construction, metal, etc. are most affected industries. Along with this, travel and tourism sector is not left behind due to rise in air fare and restriction on outbound travel to West Asian region. Revenue loss remains a vital matter for travel companies.

4. India's Response and the Way Forward

India has acted swiftly. Government sets out on reforms to focus shifts to supply chains, energy security and self

reliance. Energy security remains to be the most critical challenge for India. India has been looking for alternate sources in order to reduce dependency on West Asia. Not only energy source diversification is important, merchandise trade diversification remains priority for India's commodity trade since major chunk of export has been taking place with countries like the UAE, Saudi Arabia, Iran, Bahrain and others.

India has consistently maintaining that de-escalation, dialogue, diplomacy to bring the conflict to an end. As of April 2026, the United Nations Convention on the Law of the Sea (UNCLOS) is highly significant to the Strait of Hormuz, serving as the foundational legal argument for keeping the world's most critical energy artery open amidst a severe geopolitical crisis, even as Iran challenges its application.

For India, some of the mitigating measures to be taken by government can be divided into two sets of initiatives: first, to keep the Strait of Hormuz free from any kind of blockage, thus strengthening supply chain resilience; and, second, undertake measures to restore trade competitiveness. Therefore, it remains important for government to take mitigating measures for reliving Indian exporters through tax credit and subsidies along with providing favourable business environment for further expansion to the east.

The present situation underscores the mitigation strategies required for emerging nation like India due to its higher reliance on maritime trade, crude oil, energy dependence and concentrated trade partners. These measures aim to minimize disruption

to India's export supply chains and help exporters navigate the crisis caused by geopolitical disturbances.

Building Resilient Supply Chains

Around 80 per cent of Indian merchandise trade travels through Red Sea for connecting its trade destinations. The regional stability is about to risk US\$11.8 billion of India's agricultural exports to Western Asia, which comprises of rice, spices and agri-food products. The heat felt due to Iran-Israel conflict is having profound impact on supply chain of India given the condition of country's dependence on Red Sea transit and Strait of Hormuz for passing of goods and energy³⁰.

- Diversification of trade partners along with strategic reserve of crude oil, critical minerals and other imported items required for stock piling. The gems and jewellery sector's losses of polishers are partly offset by Belgium and Hong Kong as alternative hubs for rough diamond. So, more such connections need to be built.
- Trade diversification requires energy security and indigenous alternative energy production, which can reduce the crude import bill. The resulting fiscal space can be redirected toward domestic production, removal of input market bottlenecks, and quality upgrading, enabling diversification toward developed country markets and stronger export growth.
- Important pillar of India's international trade to GCC countries is agricultural exports where items like food products (including live

animal, grains, species) have taken centre stage of exports. Emerging countries like India face non-tariff barrier in export of these items to developed countries. So, for further partner diversification country needs to work on the requirements of the partner countries and required compliances.

- Digital tools can be used to map the requirements and enhancing regulatory cooperation.

Finding Alternate Routes and Opening of Suez

This geopolitical instability has redirected the focus of India on alternative trade routes specifically of India-Middle East-Europe Economic Corridor (IMEC) for reduction of unstable maritime routes. Although Cape of Good Hope is not a significant chokepoint, it is a major trade route to avoid other chokepoints. The passing of ships around Cape of Good Hope seems to be long arc tending to further escalate the shipping charges. However, Suez Canal and Bal-el Mandeb are the other primary gateways remaining for maritime activities of Asia and Europe. These routes are not only serving as critical routes for energy shipment, but also movement of other manufactured goods, agri-products and industrial inputs. Disruption due to geopolitical tension or security risk led to bypass of the voyages entirely to this corridor. Rethinking for Cape of Good Hope is positioned at first as alternate for Suez Canal. Higher security is required for safeguarding the vessels from Houthi attack at Bab-al Mandab, near the Red Sea.

³⁰ <https://3scsolution.com/insight/iran-israel-conflict-disrupt-india-supply-chain?>

³¹ <https://www.weforum.org/stories/2025/05/trade-facilitation-tariffs-turbulent-times/>

³² <https://www.mea.gov.in/lok-sabha.htm?dtl/36851/QUESTIONNO271TRADINGINLOCALCURRENCIES>

³³ <https://www.mea.gov.in/loksabha.htm?dtl/36851/Question+No271+Trading+In+Local+Currencies>

Strengthening Trade

Facilitation

Trade facilitation is important measure to be taken for reducing port congestion and speed up the process of clearance of goods shipped to the ports and also it boosts trade flow by removing unnecessary obstacles for slowing down flows. Previous conflict like Ukraine-Russia war has already highlighted the importance of efficient port handling to reduce the extent of supply chain disruption (UNTACD, 2024).

- Reducing paper works, digitalizing operations required for the facilitation of trade is required in the current turmoil for reducing the operation related costs to exporters and reducing delays in loading of cargoes (WEF, 2025)³¹. Strengthening of trade facilitation through reducing hurdles for export on procedures helps in mitigating the supply chain disruption due to geopolitical or other types of disruptions.
- The sharp downfall of rupee due to geopolitical tension has gained the attention of policymakers to promote and emphasis on trading in local currencies to establish Indian Rupee as global currency, as noted by the Ministry External Affairs³². The benefit of this would reach to the grassroots level of business community by removing the administrative procedural burden of currency procurement having limited resources. Some of the instances of internationalization of Rupee were the opening of Special Vostro Account with Union Bank of India for trade settlement

with Malaysia in April 2023. This allowed business community to directly trade with Indian rupee by removing the dependencies on hard currencies. Such steps will promote in saving of foreign exchange reserves.

- The other most vital mitigating measure can be taken is to strengthen ties with regional cooperation and partnership ties Local Currency Settlements, like Bharat Mart in the UAE for facilitating trade and easing the administrative procedures.³³

Incentives and Insurances to Exporters

According to the Department of Commerce for supporting the exporters facing woes due to trade tensions, Indian government has implemented Remission of Duties and taxes on Exported products (RoDTEP) for refunds on promotion of exports. The government has decided to extend support to exporters by continuing the RoDTEP scheme until 30 September, 2026. The scheme refunds embedded taxes and duties that are not otherwise rebated. This extension aims to provide relief to exporters who are facing rising costs and disruptions in global trade. Industry representatives noted that the continuation of RoDTEP will stabilize export operations and encourage growth.

The taxes and duties levied incurred by the exporters for the process of manufacturing and distribution of goods is subject to reimbursement. Moreover, the issue of dumping of goods by shipping lines has raised the concern of congestion at the vital

³⁴ <https://timesofindia.indiatimes.com/business/india-business/gulf-tensions-dumping-of-goods-by-ships-at-ports-worries-exporters/article-show/129290619.cms>

gateways like Jawaharlal Nehru port and Mundra port. So efficient handling remains vital challenge for government. Easing of custom norms is required for timelier and adequately as already such steps are taken³⁴.

Some other steps are taken by government like the DGFT declared to relax export obligation requirements which are already under advanced authorisation and EPG schemes. Also shipping ministry issued declarations for reducing the charges on goods stuck due to the tensions. Exporters are already provided concessions from DGFT for dealing with challenges due to the tension. Besides on sops provided to exporters on current situation, government needs to work for future issue on assurance of supply chain stability through domestic efforts. Though price competitiveness of Indian exports will get a pushback for the trade disruption particularly on maritime activity, MNCs may move away from West Asian disturbances and

might consider India for its destination for offering better policy environment and stable security which can draw attention of other tech companies.

Some of the few important measures taken by the government regulatory and authorities are summarised in Table 3.

India's major ports are set to extent relief measures for exporters hit by the disruption from the ongoing war until the end of April 2026. This extension will allow exporters to continue availing waivers on ground rent and dwell time charges. There are some other concessions such as reefer plug-in fees and vessel-related charges for cargo stranded en-route to West Asia. The Jawaharlal Nehru Port Authority (JNPA), for example, has announced measures to provide relief to exporters facing disruptions in shipments bound for West Asia.

The Central Board of Indirect Taxes and Customs (CBIC) has announced significant customs duty changes effective in April 2026, including

Table 3: Measures Taken by the Government to Mitigate the Escalating War Tensions on Stakeholders

Recent Measures Taken by the Government of India	Likely Impact of the Mitigating Measures
<p>Speed up the clearance for Bank-to-town vessels³⁵</p>	<p>Government relaxed the procedures for clearance of the containers which got unloaded in port but originally loaded in another port. Custom authorities at port were unwilling to fasten the process of clear the containers from the original source of shipping. Central board of Indirect taxes and Customs (CBIC) ordered the custom houses to resolve the issue at earliest. For instances: container named Pothina had to travel between Chennai and Mundra to secure the release of the shipment bound from Jebel Ali. Consequence of the measure: directives expected to smoothen the process of cargo handling and reduce the delays of exporters due to the geopolitical disruption.</p>

Continued...

³⁵ <https://www.thehindubusinessline.com/economy/logistics/hormuz-disruption-cbic-allows-btt-clearance-for-cargo-loaded-at-one-port-offloaded-at-another/article70753615.ece>

³⁶ <https://timesofindia.indiatimes.com/business/india-business/west-asia-crisis-fallout-shipping-companies-start-refund-of-extra-charges-to-exporters/articleshow/129530689.cms>

³⁷ *Ibid*

³⁸ <https://www.thehindubusinessline.com/economy/logistics/india-awaits-clarity-on-us-maritime-reinsurance-push-for-gulf/article70719277.ece>

³⁹ <https://timesofindia.indiatimes.com/business/india-business/maritime-regulator-steps-in-to-check-opportunistic-pricing-by-shipping-companies/articleshow/129366401.cms>

⁴⁰ <https://www.livemint.com/news/india/protection-indemnity-p-i-club-insurance-shipping-lines-finance-west-asia-war-11773754834048.html>

<p>Shipping companies refunding charges³⁶</p>	<p>Due to recent disruptions, shipping companies have initiated to overcharge the exporters, adding excess burden to the already existing woes. The maritime regulator, DG shipping recently has come up with unilateral decree to regulate against these additional charges imposed to the exporters. Also, the authorities have asked the shipping companies to restrict to fair trade practices and avoid levying charges that might rise the disputes within the EXIM cargo. Surcharge levied is \$4,000 for perishables and \$3,000 for every 40-foot container. Consequence of the measure: companies started issuing credit notes to the exporters of the vessels. Already Jawaharlal Nehru port has waived off charges like ground rent and reefer plug-in fees for stuck containers.</p>
<p>Decision to consider for Pumping in additional liquidity³⁷</p>	<p>Due to the ongoing crisis government informed RBI to consider for providing additional liquidity to exporters which might be required in coming days due to halting of shipments, longer time in sailing along with goods stuck in transit. Also issue on realisation of Line of Credit at earliest for stuck Ships and goods needed to be done earliest, to avoid delay in payments and longer credit cycles.</p>
<p>Push for maritime reinsurance³⁸</p>	<p>Indian government officials are pushing for maritime reinsurance facility as offered by US International development Finance corporation (DFC) for including selection of vessels based on criteria. The step taken based on this will insure losses up to around US\$20 billion on rolling basis, hence selection of vessels is important to meet the required criteria.</p>
<p>Curbing of predatory charging³⁹</p>	<p>Given the situation of disruptions, predatory and unnecessary charges are imposed on Ships. DG shipping and maritime regulator intervened to seek for transparency and ensuring no profiteering of the money of exporters.</p>
<p>Setting up Protection & Indemnity Club⁴⁰</p>	<p>To protect the interest of shipowners affected by the war situation, government is considering to set up protection and indemnity (P&I) club for shipping lines and vessels. The initiative will provide third-party insurance to ships operating in India's coastal region and inland waterways. Consequence: the mitigating measure will reduce the vulnerability of the shipping lines for international sanctions. Also, the liability coverage will be enhanced by this. Government will be providing funds to start underwriting the insurance.</p>

Sources: Authors' compilation from various sources.

Box 1: Bharat Maritime Insurance Pool (BMIP)

India introduced Bharat Maritime Insurance Pool (BMIP) as an initiative to manage maritime trade risks and stabilising trade flows and reducing cost pressures on exporters and logistics stakeholders. It may also ensure uninterrupted sovereign-backed coverage for Indian shipping. These US\$ 1.5 billion insurance pool is going to coverage across key segments — hull and machinery, cargo, protection and indemnity (P&I), and war risk — for Indian-flagged and Indian-controlled vessels, including those operating in conflict-prone international waters. This is an important step towards powering India's shipping industry to become one of the top maritime nations by 2047.

Source: Authors' own.

a full duty waiver on over 40 critical petrochemical products until June 30, 2026.

Exporters are to benefit since the CBIC now allows back-to-town (BTT) clearance for diverted cargo. The Central Board of Indirect Taxes and Customs (CBIC) has waived the ₹1,000 fee charged for back-to-town consignments—both sea and air export cargo withdrawn from Customs areas—after shipments were disrupted due to the ongoing West Asia crisis. CBIC has also asked all Custom Houses to adopt a uniform procedure to ensure faster handling of export cargo. It is expected to benefits for exporters and the shipping industry. Some innovative measures such as the Bharat Maritime Insurance Pool (BMIP) are also taken up by the Government of India (Box 1).

Finding Out Alternate Energy Sources

Global oil prices are surged after Iran restricted the transits of ships through the Strait of Hormuz, a narrow shipping line between Persian Gulf and the Gulf of Oman, which facilities 20 per cent

of Oil and LNG transport globally. Due to disruption in energy imports which is majorly comprised of west Asia alternate energy sources remain critical for India to achieve energy security. According to the International Energy Agency, Indian import of more than 80 per cent of crude oil face geopolitical risks, making it susceptible to vulnerability as instability looming out from these regions. This is high time that India needs to adopt strategies for diversification of its energy sources away from the West Asian countries. Some of the mitigating strategies that country can adopt at this time is alternate crude import from Russia. Also, it can expand its renewable energy capacity. Restoring and maintaining energy security is biggest challenge for the country to deal with. Biofuel offers a viable and sustainable alternative to energy import dependence, providing a credible solution to energy security as a substitute for crude oil. The lower emission rate, non-toxic and biodegradable in nature are thus making it second best choice to crude. Biodiesel and ethanol production possess the challenge of higher cost

of production where government intervention is required to reduce its cost through continuous patronage of R&D. Consequently, these measures will help to strengthen energy security, promote supply chain resilience as well as mitigate economic risk associated with the shocks in global markets due to geopolitical tension (BP, 2023; IEA, 2023; Ministry of petroleum and Natural Gas, 2024). Although recent diversification strategy for securing supply of crude by government has paid off, crude imports from 40 countries have increased the crude supply to domestic market, thus strengthening the oil supply.

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RIS specialises in issues related to international economic development, trade, investment and technology. It is envisioned as a forum for fostering effective policy dialogue and capacity-building among developing countries on global and regional economic issues. The focus of the work programme of RIS is to promote South-South Cooperation and collaborate with developing countries in multilateral negotiations in various forums. Through its following centres/forums, RIS promotes policy dialogue and coherence on regional and international economic issues.



The word “DAKSHIN” (दक्षिण) is of Sanskrit origin, meaning “South.” The Hon’ble Prime Minister of India, Shri Narendra Modi, inaugurated DAKSHIN – Global South Centre of Excellence in November 2023. The initiative was inspired by the deliberations of Global South leaders during the Voice of the Global South Summits. DAKSHIN stands for Development and Knowledge Sharing Initiative. Hosted at the RIS, DAKSHIN has established linkages with leading think tanks and universities across the Global South and is building a dynamic network of scholars working on Global South issues.



AIC at RIS has been working to strengthen India’s strategic partnership with ASEAN in its realisation of the ASEAN Community. AIC at RIS undertakes research, policy advocacy and regular networking activities with relevant organisations and think-tanks in India and ASEAN countries, with the aim of providing policy inputs, up-to-date information, data resources and sustained interaction, for strengthening ASEAN-India partnership.



CMEC has been established at RIS under the aegis of the Ministry of Ports, Shipping and Waterways (MoPS&W), Government of India. CMEC is a collaboration between RIS and Indian Ports Association (IPA). It has been mandated to act as an advisory/technological arm of MoPSW to provide the analytical support on policies and their implementation.



FITM is a joint initiative by the Ministry of Ayush and RIS. It has been established with the objective of undertaking policy research on economy, intellectual property rights (IPRs) trade, sustainability and international cooperation in traditional medicines. FITM provides analytical support to the Ministry of Ayush on policy and strategy responses on emerging national and global developments.



BEF aims to serve as a dedicated platform for fostering dialogue on promoting the concept in the Indian Ocean and other regions. The forum focuses on conducting studies on the potential, prospects and challenges of blue economy; providing regular inputs to practitioners in the government and the private sectors; and promoting advocacy for its smooth adoption in national economic policies.



FIDC, has been engaged in exploring nuances of India’s development cooperation programme, keeping in view the wider perspective of South-South Cooperation in the backdrop of international development cooperation scenario. It is a tripartite initiative of the Development Partnership Administration (DPA) of the Ministry of External Affairs, Government of India, academia and civil society organisations.



FIRD aims to harness the full potential and synergy between science and technology, diplomacy, foreign policy and development cooperation in order to meet India’s development and security needs. It is also engaged in strengthening India’s engagement with the international system and on key global issues involving science and technology.



As part of its work programme, RIS has been deeply involved in strengthening economic integration in the South Asia region. In this context, the role of the South Asia Centre for Policy Studies (SACEPS) is very important. SACEPS is a network organisation engaged in addressing regional issues of common concerns in South Asia.



Knowledge generated endogenously among the Southern partners can help in consolidation of stronger common issues at different global policy fora. The purpose of NeST is to provide a global platform for Southern Think-Tanks for collaboratively generating, systematising, consolidating and sharing knowledge on South South Cooperation approaches for international development.



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