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THE IMPACT OF THE US, ISRAEL, AND IRAN WAR ON INDIA'S GDP AND MAKE IN INDIA CAMPAIGN: IN SHORT-TERM AND LONG-TERM APPROACHES.

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ABSTRACT

This paperemphasises the impact of the ongoing warsbetween the US, Israel, and Iranon Indian GDP and economy, dragging us into something for which we were never accountable. This war not just petrified the world but also forced usto analyse the consequences it would incur in the short and long term. From crude oilprices shooting rocket high to the LPG crisis, and ultimately leading to food inflation due to supply chain disruptions. The Strait of Hormuz, the lifeline of the oil&gas trade, isheld hostage, and so is the global energy.

EXTENDED ABSTRACT

On the 28th of February, Israel launched a military attack against Iran. A war, which neither we waged nor supported, is at our doorstep—370 nautical miles from Kanyakumari. An American submarine torpedoed an Iranian frigate returning from Vishakhapatnam. Iran attempts to hold hostage "Global Energy". The Strait of Hormuz is the lifeline of the global crude oil supply chain. Impacted global oil supply, with no vessel movements since March 4, 2026. Gulf Countries primarily export oil via this route. The main recipients are 85% Asian nations and the remaining 15% to world. In this research paper, we will examine how the impact of such a war can alter trade dynamics, technological growth, supply chain management, and long-term sustainable relations among nations. This paper will use a qualitative research methodology based on current affairs, geopolitical interviews, and business data. Around37 Indian Merchant-Navy ships are stuck at this choke point. Crude oil prices before the war on 27th February were $72, and rose to a rocket-high $120/barrel on

11th March. The rupee weakened, and GDP growth declined by 1%. Manufacturing under Make in India is impacted.The current war with Iran is putting immense pressure on business supply chains; the world's crude oil and gas routes have been jeopardised, and creating a need to find alternatives. If it goes on for long, crude oil prices may go upto $150 or $200/barrel. Those prices, directly or indirectly, will impact our households and industries. The LPG crisis has been created in India and in major Asian countries.

Literature Review:First, we need to understand the motives, intentions, and possible reasons behind the war, which the United States has described as a major combat operation in Iran. According to Sharma, K. (2023), there have been many attempts to resist change in the world order by safeguarding the Dollar. US Operation Epic Fury targets Iran's missile program, citing the reason that a radical Islamist nation is being prevented from establishing ballistic missiles and nuclear facilities. The US states that a threat spanning decades is now being neutralised- Its production facilities, air defence systems, key military structures, and naval assets. According to Rasul, M. (2024), the Middle East can influence global energy supplies. So, is Iran a nuclear threat to the Middle East? Mr Donald Trump says Iran has targeted many West Asian nations with its missile program, and he believes he must destroy those Iranian facilities. Or, the situation is entirely different; is the goal simply to satisfy the thirst for oil by first disabling the Iranian defence system, then disarming or destroying the IRGC and Iranian forces? The game is only halfway through.Nosike, C. J., Ojobor, O. S. N., &Nosike, C. U. (2024) emphasised that such wars can create a global energy crisis. According to Zreik, M. (2024), such wars are key factors in disrupting and changing emerging economies, such as those in Asia. The current war has disrupted the Strait of Hormuz, which is a crucial route for the global energy supply chain and trade. Affected trade routes may create a global energy crisis, a pandemic-like situation.

Objective of the study:In this research paper, we will examine the impact of such wars, which are baseless but driven by selfish motives and egos. We will explore how war can alter trade dynamics and long-term sustainable relations among nations. We will also shed light on deeper issues related to war, such as its effects on emerging economies, technological growth, IT advancements, SMEs in emerging markets, supply chain management, changes in crude oil routes, and the need to find alternative distribution channels amid these conflicts. Specifically, this war has heightened concerns about the possibility of a third world war. Our objective is to establish a connection between such wars and their negative effects on emerging economies, such as India. This includes GDP growth and the Make in India campaign, both of which aim to evolve India into a developed nation with an independent and robust economy. We also aim to discuss how the world's largest democracy and fourth-largest economy can overcome challenges caused by such wars, which hinder our growth and economic status. What should be our short-term and long-term strategic approaches to navigate this tense business environment, where we are drawn in without direct involvement in such matters?

Research Methodology:To achieve the research objectives, this paper will use a qualitative research design based on current affairs, geopolitical interviews, business data, and a few published business threats during a war, which is cross-sectional. We will focus on India's GDP, economy, and growth parameters through bureaucratic survey data.

Findings and Analysis:Aftermath shows Iran launched an air strike on American Army bases in the Middle East and Israel's capital city. Multiple missiles were launched at Tel Aviv, the lifeline of Israel. The missiles have been raining down sporadically. Our 22 Indian Merchant Navy ships are stuck in the Strait of Hormuz (choke point). The ARAMCO oil refineries hit by Iran in Saudi Arabia, Bahrain, and other Gulf countries were targets. On the 7th day of war, people are completely shaken, and Gulf residents continue to pay the price of the conflict.

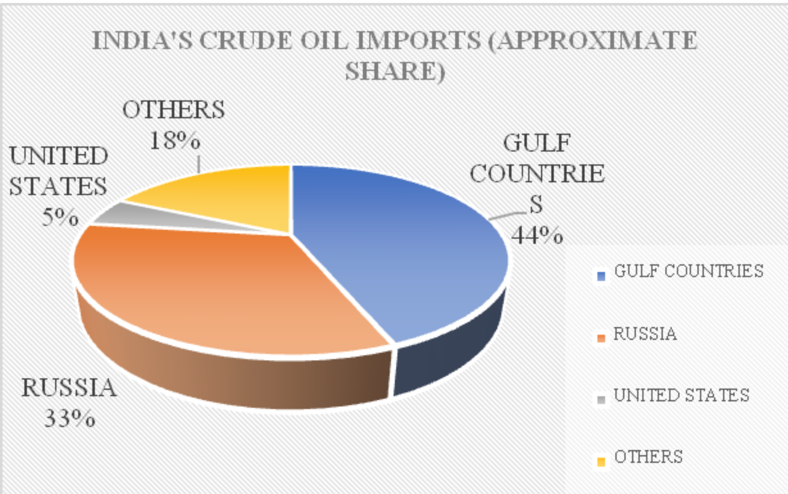

Figure (i): Major Crude Oil Imports of India.

The Hormuz impact on India: Pharma exports brace for Rs 5,000 crore hit as US-Iran war drives up freight costs. The 30-day waiver on Russian oil offers short-term relief to India, as nearly 50% of India's crude oil passes through the Strait of Hormuz. This exposes us to a high risk of disruption in the channel. India will face strong competition with China for the same Russian barrel imports. It is essential for India to explore new trade routes to increase Russian oil intake and ensure crude supply security. The Middle East war poses a significant threat to our energy reserves. Iran’s strikes are retaliation targeting US military bases across the Middle East. Rising oil prices increase the demand for dollars to finance imports, exerting downward pressure on the rupee and contributing to imported inflation. If instability continues, bilateral trade flows and export performance may face challenges. Energy analysts have argued that the crisis highlights India's vulnerability to imported fossil fuels. Even with diversified sourcing strategies, including Russian, US, West African, and Latin American grades, the country cannot fully protect itself from global price fluctuations. Vaibhav Chaturvedi, a senior fellow at CEEW, stated that the conflict is likely to cause short-term increases in oil prices and, if it persists, could slow global economic growth. He emphasized that India should take this opportunity to accelerate the electrification of power and transportation as a long-term approach to address energy insecurity. Duttatreya Das, an energy analyst at Ember, pointed out that recent moves away from discounted Russian crude have already limited supply options. He argued that India cannot afford to be hostage to geopolitical instability and should prioritize speeding up electrification and expanding ethanol blending to reduce its dependence on oil.

Impact on rice and tea exports

The repercussions could extend beyond energy to affect major agricultural exports. In the two months before the conflict, Iranian importers placed significant orders for Indian basmati rice, causing an increase in domestic basmati prices by about Rs 10 per kilogram. Iran accounts for roughly 25 percent of India's total basmati rice exports, while Iraq contributes an additional 20 percent, collectively representing over 2 million tonnes worth more than $2 billion. In the last fiscal year alone, India exported around $1.2 billion worth of basmati rice to Iran.

Prolonged uncertainty, disruptions in shipping routes or payment systems, and banking constraints related to sanctions could significantly affect rice exports, not only to Iran but also across Central Asia, where trade flows are highly interconnected.

Tea shipments may also face challenges. In the fiscal year 2024–25, India exported tea worth about Rs 7 billion to Iran. Any disruptions to maritime routes, insurance, or currency exchanges could cause delays and increase pressure on exporters already navigating volatile global markets.

Mumbai: The conflict in Iran poses a threat to India's pharmaceutical exports, with industry estimates indicating a potential impact ranging from $300 to $500 million (Rs 2,500 to over

Rs 4,500 crore), primarily due to increased freight costs, should the disruptions persist through March. Freight costs for bulk drugs from China have surged, doubling from $1,200 to $2,400 per container, while shipping companies are increasingly declining cargo to Gulf hubs or imposing surcharges of $3,500 to $5,000, complicating logistics, as reported by industry executives. The Iran-Israel conflict, which escalated in early March 2026, has a direct impact on "Make in India" initiatives and the wider manufacturing sector in India by disrupting supply chains, raising energy input costs, and jeopardising specialised trade routes.

“Make in India” systems are impacted:

1. Increased Raw Material and Logistics Costs

• Petroleum- Grounded Inputs diligence that are heavily dependent on petroleum derivations similar as cosmetics, chemicals, tyres, and plastics, are passing reduced profit perimeters due to raising crude prices.

• Logistics & Freight Surge Shipping routes are significantly disintegrated, compelling vessels to navigate longer paths around the Cape of Good Hope, which extends conveyance times by weeks and raises freight and insurance charges for manufacturers.

• MSMEs Vulnerability Small and Medium Enterprises (MSMEs) are facing challenges with rising input costs and implicit inflationary pressures, which could hamper product under the" Make in India" action.

2. Specific Sectoral Impacts

• Electronics & amp; motorcars the electronics manufacturing sector, which boasts $ 4.5 billion in exports (primarily through the UAE), is at threat due to airspace closures and disintegrated maritime routes. Adding energy costs are also likely to dampen consumer sentiment, negatively affecting the automotive assiduity.

• Fertilisers & Agriculture The conflict poses a trouble to fertiliser inventories, which are vital for the agrarian manufacturing sector. A dislocation in the Strait of Hormuz could lead to a 30- 40 rise in urea prices, putting pressure on the agrarian force chain.

• Pharmaceuticals Assiduity judges prognosticate an implicit impact of $300-$500 million on Indian medicinal exports due to heightened freight costs and shipping declinations to Gulf capitals.

• Defence Manufacturing: While manufacturing may witness a temporary boost in sentiment, defence factors are also affected.

Conclusion or Discussion: This US-Israel-Iran war is no less than a world war-3 turned into an “Oil War.” The current war with Iran is putting immense pressure on business supply chain management; the world's crude oil and gas routes have been jeopardised. The Strait of Hormuz, which handles 80% of Asia’s oil trade and 40% of India’s oil needs, has been negatively impacted. As a result, crude oil prices have reached a record high of $120 per barrel (11th March 2026).

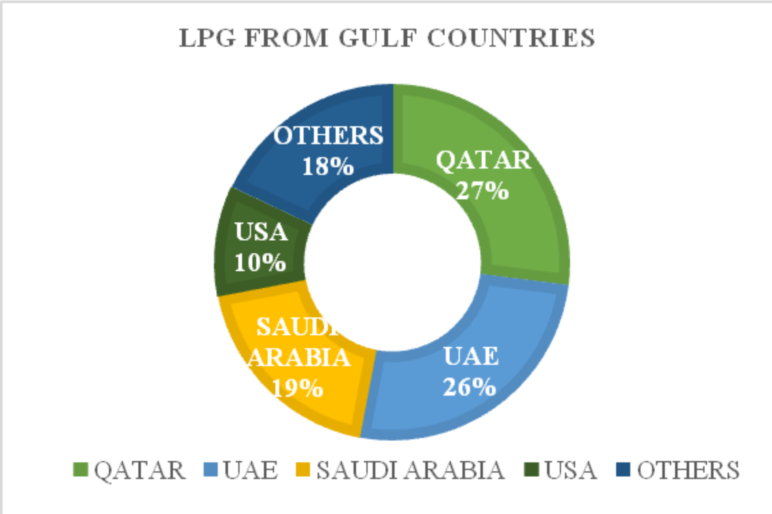

Figure (ii): Country-wise LPG imports for India.

The LPG crisis has been created in India and major Asian countries like Pakistan, China, Korea, Malaysia, Singapore, etc. Commercial LPG requirements have been cut to 20% supplies, and private firms have been asked not to use oil and gas resources for the production of non-essential items. Let us examine the domino effect of this war. Even if the war ends in a few weeks, repair work will take months, leading to higher inflation- your costs will increase. Fertilisers, agricultural products, gas cylinders, and commercial LPG prices will soar. Consumer goods inflation will rise. When you realise that the LPG crisis is just the beginning of a much bigger problem for India. The world is panicking over crude oil and LPG supplies, but a more serious threat will be to our food supply; the real ticking time bomb is not oil but ammonia.Ammonia is produced from natural gas. It is further used to produce a fertiliser named Urea. Essential for the crops and agricultural harvest.

Other affected segments are Currency:The Rupee is at record lows, leading to higher import costs.

GDP: A 1 percent drop in India’s GDP growth is observed due to rising oil prices, which could reduce GDP growth by 6.2%, imposing inflationary pressures on the common man’s pocket.

Manufacturing: Closure of the Strait of Hormuz disrupted the supply chain from fertilisers to

engineering, hitting our production sectors hard.
A short-term way to handle such a crisis temporarily is to use the Russian trade alliance and cut off non-essential goods production, which may utilise crucial energy resources.
A long-term strategy to address such a crisis can include alternative trade routes, deploying additional crude oil reserves, opening new markets for trade, and advancing towards the adoption of EVs and PNG gas.

KEYWORDS: Strait of Hormuz, Global energy, War Impact, GDP, LPG, Global crisis, Economies, Manufacturing Sectors, Shipping Routes, Fertilisers, Crude Oil, Make in India,Imports, Exports, Short-term way, Long-term Strategy.

1 INTRODUCTION

On the 28th of February, Israel launched a military attack against Iran. A war, which neither we waged nor supported, is at our doorstep—370 nautical miles from Kanyakumari. An American submarine torpedoed an Iranian frigate returning from a joint ceremonial exercise in Vishakhapatnam. The incident occurred near the edge of Sri Lankan waters. America is invading India's zone of influence in international waters. Two US merchant navy ships have already been sunk in the Strait of Hormuz by the IRGC. Around 37 Indian Merchant Navy ships are stuck in the Strait of Hormuz (the choke point).
Let us understand what the Strait of Hormuz is. The Strait of Hormuz is the lifeline of the global crude oil supply chain. It has impacted the global oil supply, with no vessel movements since March 4, 2026.

Figure 1: Key Asian oil route through the Strait of Hormuz.

One-fifth of the world's oil demand passes through this nozzle, which is about 20 million barrels daily. Countries that primarily export oil via this route include Qatar, Kuwait, Iran, and Iraq. The main recipients are Asian nations, with 85% of the oil passing through going to Asia and the remaining 15% to other parts of the world. Therefore, the most affected countries are China, India, Japan, and South Korea. How might this impact us? The daily LNG supply through the Strait of Hormuz is around 10 billion cubic feet, accounting for 20% of the gas supply from Qatar and the UAE. China, India, Taiwan, South Korea, and Pakistan purchase this LNG, LPG (Cooking Gas), and CNG.

If the war tension goes on for a longer duration, it may have a big impact on India’s energy supplies. It may create a major vulnerability for India in LNG supply, which is 80% that comes through this route, the Strait of Hormuz. Our government has said we have reserves for quite some time, approximately 50 days. If the war goes on for months, there will be an expected revision of prices of Petrol, Diesel, and Gas used in households and Industries. Our private oil reserves are 5.33 million, which can last up to 65 days. We have looked for an alternative strategic alliance, i.e., Russia, an alternative oil route from Russia to India across Primorsk reaching up to Mundra port in Gujarat.

Russia is to act as a backup for the petrochemical requirements. Crude oil prices are rocket high:

Table 1: Current crude oil price sheet.

Date	**Feb 27th**	**March 2nd**	**March 3rd**	**March 4th**	**March 11th**
Crude oil price (in USD) per barrel	$72	$77.60	$81.11	$80.62	$120

Source: Google Finance

In the new world order, we need to understand the ground reality. If it goes on
for long, the crude oil prices may go up to $150 or $200 per barrel. Those prices, directly or indirectly, will impact our households and industries.

2 Literature Review

First, we need to understand the motives, intentions, and possible reasons behind the war, which the United States has described as a major combat operation in Iran. According to Sharma, K. (2023), there have been many attempts to resist change in the world order by safeguarding the Dollar. US Operation Epic Fury targets Iran’s missile program, citing the reason that a radical Islamist nation is being prevented from establishing ballistic missiles and nuclear facilities. The US states that a threat spanning decades is now being neutralised- Its production facilities, air defence systems, key military structures, and naval assets. They claim to have already destroyed more than 2,000 targets, aiming to dismantle nuclear capabilities.

Meanwhile, Israel has its own reasons for striking Iran, with support from America. To change the government/regime, Israel’s PM said: 'We are creating conditions for Iran to do so.' This is a gateway to broader peace. It may take time, but it’s not going to take years to achieve the peace we all yearn for and pray for. Together, we’ll achieve it.

Second, what was the issue with Iran's current regime? Iran was ruled by its spiritual leader and dictator, Ayatollah Ali Khamenei (the Supreme Leader of the Islamic Republic), who governed for 47 years over the Muslim and Persian people. Iranians say that the traitor who persecuted nearly 50,000 people protesting against his regime in just 2 days in January 2026. Many allegations against his regime have prevented the Iranian people from living freely, including not importing vaccines during the COVID-19 pandemic. Iran was governed by a dictator and traitor who executed his own citizens, silencing their voices against his strict rules and policies. The goal is to end the dictatorship and change the regime.

Third, according to Rasul, M. (2024), the Middle East can influence global energy supplies. So, is Iran a nuclear threat to the Middle East? Mr Donald Trump says Iran has targeted many West Asian nations with its missile program, and he believes he must destroy those Iranian facilities. Khamenei and family members have been executed and are dead after the US-Israel 30-bomb strikes on his residence. Iran was trying to develop a nuclear weapon (hypothetically for energy reservoirs, i.e., electricity), Israel-US says, which could be dangerous for mankind, according to Israel’s Prime Minister Benjamin Netanyahu.

Fourth, the US and Israel aim to eliminate the proxy terrorist organisations run by the Iranian regime in the Middle East, such as Hezbollah, Houthis, and Hamas.

Fifth, the situation is entirely different; is the goal simply to satisfy the thirst for oil by first disabling the Iranian defence system, then disarming or destroying the IRGC and Iranian forces? The game is only halfway through. Afterwards, it involves changing the regime and installing a puppet president in Tehran.Nosike, C. J., Ojobor, O. S. N., &Nosike, C. U. (2024) emphasised that such wars can create a global energy crisis.

According to Zreik, M. (2024),such wars are key factors in disrupting and changing emerging economies, such as those in Asia. The current war has disrupted the Strait of Hormuz, which isa crucialroute for the global energy supply chain and trade. Affected trade routesmay create a global energy crisis, a pandemic-like situation.

3 Objective of the study

In this research paper, we will examine the impact of such wars, which are baseless but driven by selfish motives and egos. We will explore how war can alter trade dynamics and long-term sustainable relations among nations. We will also shed light on deeper issues related to war, such as its effects on emerging economies, technological growth, IT advancements, SMEs in emerging markets, supply chain management, changes in crude oil routes, and the need to find alternative distribution channels amid these conflicts. Specifically, this war has heightened concerns about the possibility of a third world war. Our objective is to establish a connection between such wars and their negative effects on emerging economies, such as India. Thisincludes GDP growth and the Make in India campaign, both of which aim to evolve India into a developed nation with an independent and robust economy. We also aim to discuss how the world's largest democracy and fourth-largesteconomy can overcome challenges causedby such wars, which hinder our growth and economic status. What should be our short-term and long-term strategic approaches to navigate this tense business environment, where we are drawn in without direct involvement in such matters?

4 Research Methodology

To achieve the research objectives, this paper will use a qualitative research design based on current affairs, geopolitical interviews, business data, and a few published business threats during a war, which is cross-sectional. We will focus on India's GDP, economy, and growth parameters through bureaucratic survey data.

5 Findings and Analysis

Aftermath shows Iran launched an air strike on American Army bases in the Middle East and Israel's capital city. Multiple missiles were launched at Tel Aviv, the lifeline of Israel. The missiles have been raining down sporadically. Our 22 Indian Merchant Navy ships are stuck in the Strait of Hormuz (choke point). The ARAMCO oil refineries hit by Iran in Saudi Arabia, Bahrain, and other Gulf countries were targets. On the 7th day of war, people are completely shaken, and Gulf residents continue to pay the price of the conflict.

The Hormuz impact on India: Pharma exports brace for Rs 5,000 crore hit as US-Iran war drives up freight costs

"Iran's attempt to hold hostage the Global Energy"

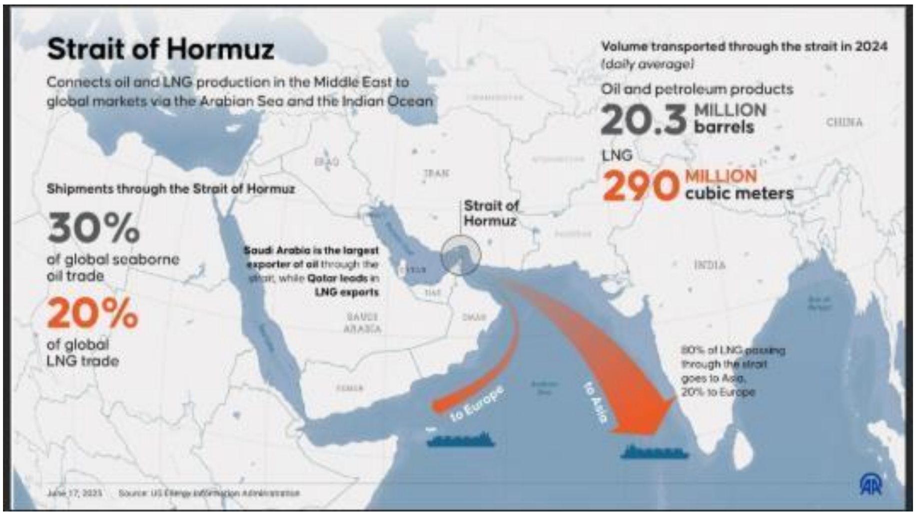

Figure 2: Major global oil supply route blocked.

The 30-day waiver on Russian oil offers short-term relief to India, as nearly 50% of India's crude oil passes through the Strait of Hormuz. This exposes us to a high risk of disruption in the channel. India will face strong competition with China for the same Russian barrel imports. It is essential for India to explore new trade routes to increase Russian oil intake and ensure crude supply security. The Middle East war poses a significant threat to our energy reserves.

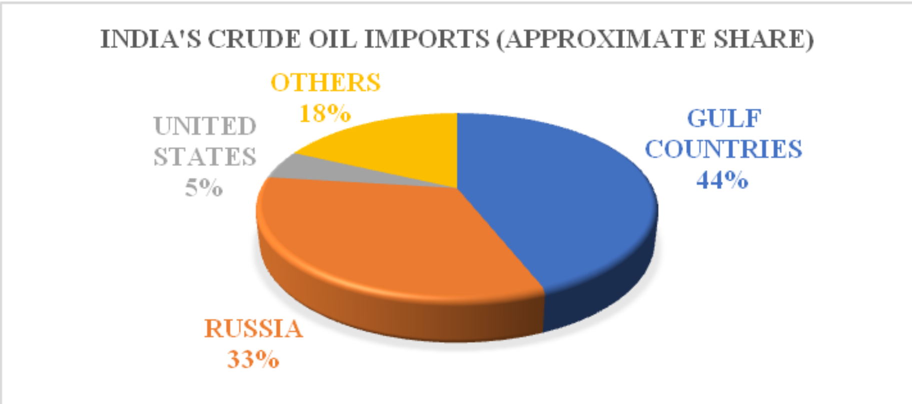

Figure 3: Major Crude Oil Imports of India.

In recent months of 2026, we have already been importing 1 million barrels per day of Russian crude. Early March 2026, approximately 145 million barrels of Russian crude remain across the Indian Ocean, the Red Sea, the Suez Canal and near Singapore, which could be redirected towards our ports. From imports of 1.2 million barrels per day (in the last two months) may rise to 1.6 million bpd, or may reach its previous high of 2.0 million bpd in the near future if the war stretches further. It may provide a buffer, but it may not fully surpass India's approximately 2.6 Mbd exposure from Middle East crude oil purchases. Weimport around 20-23% from Russia and 15-19.6 % from Saudi Arabia.

RIL shares rise 2.5% as India gets a 30-day waiver from the US to purchase Russian oil. RIL (Reliance Industries Limited) world’s largest buyer of seaborne Russian oil, 600,000 barrels per day in 2025.

India has ordered IOC, BPCL, and HPCL to prioritise LPG production from propane and butane. The Government of India has orderedmajor oil refining companies to use propane and butane streams to increase LPG production. Refiners are advised to ensure efficient utilisation of these streams to produce LPG and supply it to public sector oil companies, including IOCL (Indian Oil Corporation Ltd), BPCL (Bharat Petroleum Corporation Ltd), and HPCL (Hindustan Petroleum Corporation Ltd).

Iran’s strikes are retaliation targeting US military bases across the Middle East.

Iranian drone strikes targeted Amazon data centres across the Gulf, damaging major US cloud data centres in the UAE and Bahrain. This disruption impacted government data, financial networks, and AI projects in the region. The incident highlights how modern conflicts are not only attacking military facilities but also digital support systems that underpin defence networks, technologies, and AI ambitions. It challenges the long-term planning and execution of global data infrastructure. Geopolitical risks are increasingly linked to large-scale cloud investments in future. In the view of Al Omoush, K., Lassala, C., & Ribeiro-Navarrete, S. (2025), this situation reveals the vulnerability of critical digital assets to war-like threats.

Rising oil prices increase the demand for dollars to finance imports, exerting downward pressure on the rupee and contributing to imported inflation. If instability continues, bilateral trade flows and export performance may face challenges. Energy analysts have argued that the crisis highlights India's vulnerability to imported fossil fuels. Even with diversified sourcing strategies, including Russian, US, West African, and Latin American grades, the country cannot fully protect itself from global price fluctuations. Vaibhav Chaturvedi, a senior fellow at CEEW, stated that the conflict is likely to cause short-term increases in oil prices and, if it persists, could slow global economic growth. He emphasized that India should take thisopportunity to accelerate the electrification of power and transportation as a long-term approach to address energy insecurity. Duttatreya Das, an energy analyst at Ember, pointed out that recent moves away from discounted Russian crude have already limited supply options. He argued that India cannot afford to be hostage to geopolitical instability and should prioritize speeding up electrification and expanding ethanol blending to reduce its dependence on oil.

Impact on rice and tea exports

The repercussions could extend beyond energy to affect major agricultural exports. In the two months before the conflict, Iranian importers placed significant orders for Indian basmati rice, causing an increase in domestic basmati prices by about Rs 10 per kilogram. Iran accounts for roughly 25 percent of India's total basmati rice exports, while Iraq contributes an additional 20 percent, collectively representing over 2 million tonnes worth more than $2 billion. In the last fiscal year alone, India exported around $1.2 billion worth of basmati rice to Iran.

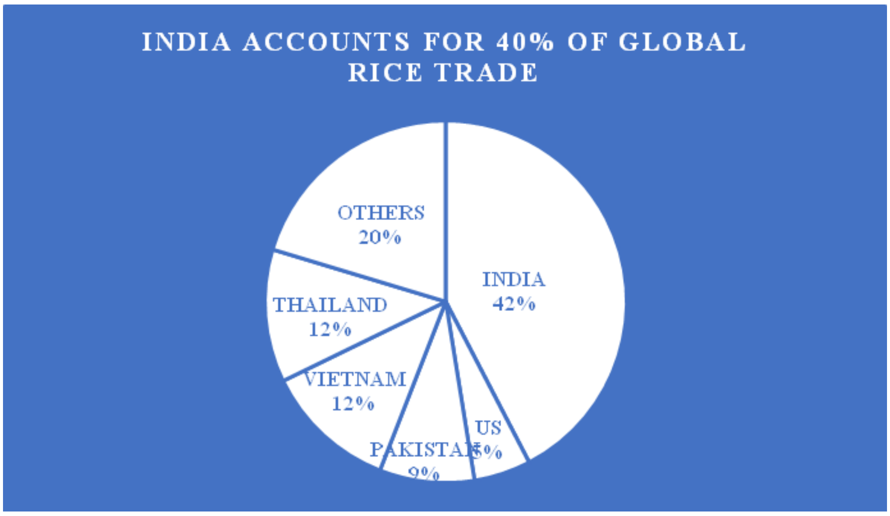

Figure 4: Leading Rice Exporters (*Source: US Department of Agriculture 2024-25*)

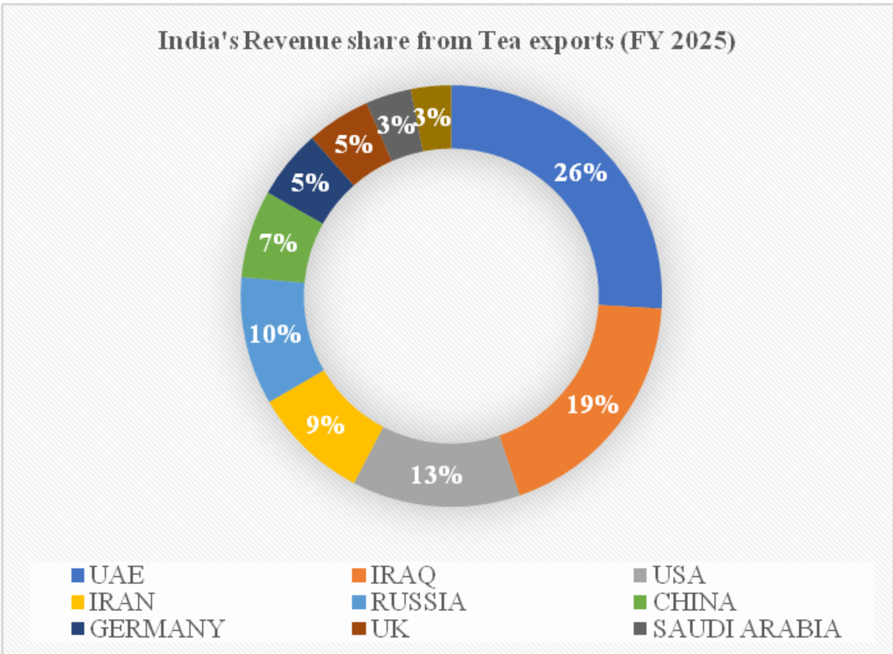

Figure 5: Our revenue share from tea exports (*FY25*) (*Source: Tea Board of India, Niryat till July 2025*).

Prolonged uncertainty, disruptions in shipping routes or payment systems, and banking constraints related to sanctions could significantly affect rice exports, not only to Iran but also across Central Asia, where trade flows are highly interconnected.

Tea shipments may also face challenges. In the fiscal year 2024–25, India exported tea worth about Rs 7 billion to Iran. Any disruptions to maritime routes, insurance, or currency exchanges could cause delays and increase pressure on exporters already navigating volatile global markets.

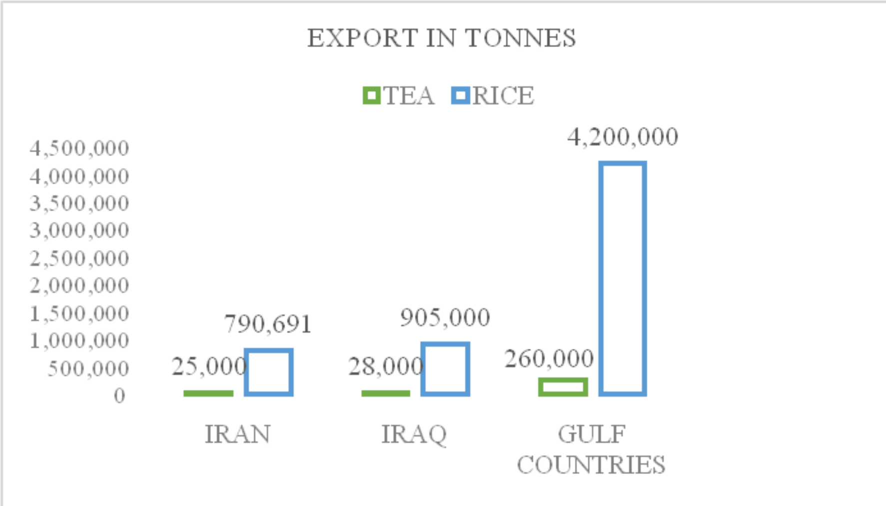

Figure 6: India's exports to the Middle East.

Table 2: Tea and Rice Export Data (*Source: Tea Board of India, Niryat - till July 2025*)

EXPORT COUNTRIES	TEA (in Tonnes)	RICE (in Tonnes)
IRAN	25,000	7,90,691
IRAQ	28,000	9,05,000
GULF COUNTRIES	2,60,000	42,00,000

Currently, policymakers are concentrating on shielding the economy from volatility and ensuring the continuity of supply. However, as tensions rise and oil traders respond anxiously, India finds its growth trajectory once again linked to the stability of a narrow maritime corridor located thousands of kilometres away, highlighting the intricate relationship between energy security, trade stability, and geopolitics.

Mumbai: The conflict in Iran poses a threat to India's pharmaceutical exports, with industry estimates indicating a potential impact ranging from $300 to $500 million (Rs 2,500 to over Rs 4,500 crore), primarily due to increased freight costs, should the disruptions persist through March.

Freight costs for bulk drugs from China have surged, doubling from $1,200 to $2,400 per container, while shipping companies are increasingly declining cargo to Gulf hubs or imposing surcharges of $3,500 to $5,000, complicating logistics, as reported by industry executives.

The Iran-Israel conflict, which escalated in early March 2026, has a direct impact on "Make in India" initiatives and the wider manufacturing sector in India by disrupting supply chains, raising energy input costs, and jeopardising specialised trade routes. This conflict has led to a spike in crude oil prices, reaching $82.37 per barrel, and poses a threat to block the Strait of Hormuz, a vital chokepoint for 20% of global oil, which is essential for India's manufacturing raw materials.

Global Collaboration towards Make in India (Aatma-Nirbhar Bharat initiatives):

India-Japan: In 2015, a fund named the ‘Japan-India Make-in-India Special Finance Facility’ was introduced, amounting to $12 billion, and is overseen by the Nippon Export and Investment Insurance (NEXI) along with the Japan Bank for International Cooperation (JBIC).

From 2000 to 2023, Japan has invested approximately $39.94 billion in India, positioning itself as the fifth largest source of Foreign Direct Investment (FDI) in various sectors including automobiles, electrical equipment, telecommunications, chemicals, finance (insurance), and pharmaceuticals.

India-Germany: The ‘Make in India Mittelstand (MIIM)’ initiative was launched in 2015 to bolster economic collaboration by motivating small and medium-sized German enterprises to invest and manufacture in India.

As of 2021, the MIIM program has aided over 151 German Mittelstand companies, leading to a total reported investment surpassing €1.4 billion.

India-Korea: Prominent Korean corporations such as Samsung, LG, and Hyundai Motors have collectively invested more than $4.4 billion in India. Additionally, over 600 large and small Korean companies are operational in India, including POSCO (Steel Manufacturing), Lotte (Food Processing), and SsangYong Motors (Automotive), with intentions to either enter or expand their operations in the Indian market.

Stagnant Manufacturing Sector: The contribution of the manufacturing sector to value addition is 15.9 percent for the fiscal year 2023-24, a decline from 16.7 percent of GDP (in constant prices) recorded in 2013-14. Furthermore, the ambition to elevate the manufacturing share of GDP to 25% appears to be a far-off aspiration, currently remaining at 15%.

Why and which sectors are affected:

- Iran war =oil supply shock (Hormuz disruption)
- Oil prices go up to $100 to 120+ per barrel
- India imports ~70 to 90% oil = which is highly vulnerable

Effects:Inflation ↑ (1 to 2% rise possible), GDP ↓ (0.5 to 1% impact range) and Rupee depreciation plus cost-push shock

Sector-wise Correlation and Regression Data:

Modelin research

$$Y_i = \alpha + \beta_i(Oil\,Shock) + \epsilon$$

Where:

- Y_i= sector output/returns
- β_i= sensitivity (correlation proxy)

Table 3: Sector-wise Table (Correlation + Regression Coefficients)

Sector	Correlation with Oil Shock	Regression β (Impact returns/output)	Nature of Impact
Aviation	+0.9	−0.85 to −0.95	Very high-cost sensitivity
Automobile	+0.75	−0.6 to −0.8	Demand + input shock
Manufacturing	+0.7	−0.5 to −0.7	Energy-intensive
Metals	+0.6	−0.4 to −0.6	Raw material + energy
FMCG	+0.4	−0.3 to −0.5	Inflation-driven
Agriculture / Fertilizer	+0.8	−0.6 to −0.8	Fertilizer + logistics shock
IT / Services	+0.2	−0.1 to −0.3	Indirect/global
Banking / Financials	−0.4	−0.3 to −0.6	Rate hikes, NPAs
Real Estate	−0.6	−0.5 to −0.7	Interest rate sensitive

Interpretation of Correlation and Regression Data:

- Correlation (ρ) → Direction + strength of relationship
- Regression (β) → Actual impact magnitude on sector performance

Aviation:

- Correlation = +0.9
- Regression β ≈ −0.9 Meaning:
- Oil ↑ led to costs ↑ strongly
- Profit/returns ↓ sharply FMCG:
- Correlation = +0.4
- β ≈ −0.4 Meaning:
- Oil affects indirectly via inflation
- Moderate impact Banking:
- Correlation = −0.4

The oil shock led to inflation, whichled tohigh interestrates and credit growth decline, stock returns are low.

Sector-wise classification based on oil shock sensitivity:

High Sensitivity (Direct Oil Shock)= Strong β (−0.6 to −0.9)

- Aviation
- Auto
- Manufacturing
- Fertilizer

Medium Sensitivity (Prone to Inflation) = Moderate β (−0.3 to −0.6)

- FMCG
- Metals
- Logistics

Low Sensitivity (IndirectImpact) = Weak β (−0.1 to −0.3)

- IT
- Pharma

Negative Macro Sensitivity

- Banking
- Real Estate

Affected via interest rates plus liquidity

Extended Regression Model (Multi-variable):

$$Sector_i = \beta_1(Oil) + \beta_2(Inflation) + \beta_3(ExchangeRate) + \beta_4(InterestRate) + \epsilon$$

Key Signs:

- β_1 (Oil) → Negative (cost shock)
- β_2 (Inflation) → Negative (demand compression)
- β_3 (INR depreciation) → Negative
- β_4 (Interest rate) → Negative

Empirical Insight from Research:

- Oil shocks are pro-cyclical and harmful to output in India
- War-driven supply shocks create: stagflation risk (high inflation + low growth)
- Energy price surge (~24%) directly raises inflation and slows growth
- The Iran war creates a system-wide negative regression effect, butthe magnitude differs by sector

✓ Energy-intensive sectors = highest β (worst hit)

✓ Financial sectors = indirect but significant decline

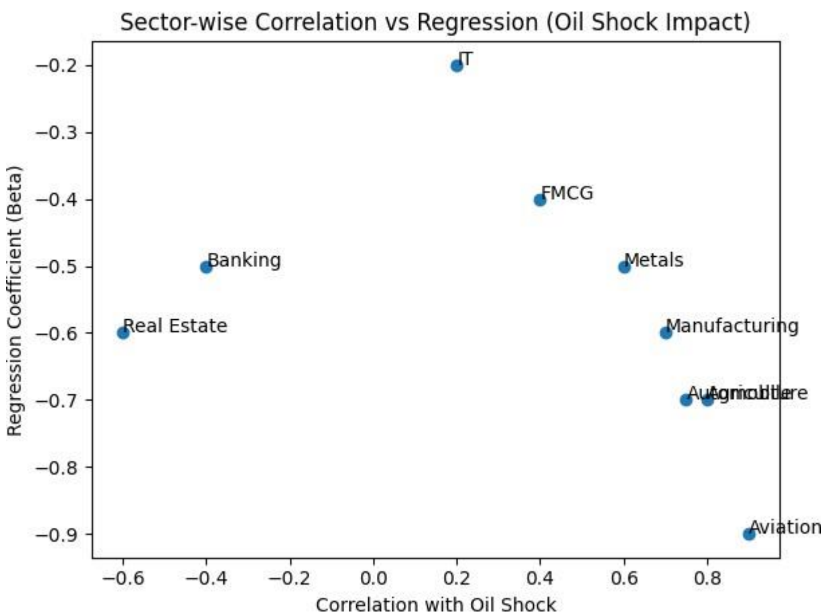

Figure 7: Sector-wisescatter graph forTable 3 (*Correlation vs Regression β*)

How "Make in India" systemsare impacted:

1. Increased Raw Material and Logistics Costs

- Petroleum- Grounded Inputs diligence that are heavily dependent on petroleum derivationssimilar as cosmetics, chemicals, tyres, and plastics, are passing reduced profit perimeters due to raising crude prices.

• Logistics & Freight Surge Shipping routes are significantly disintegrated, compelling vessels to navigate longer paths around the Cape of Good Hope, which extends conveyance times by weeks and raises freight and insurance charges for manufacturers.

• MSMEs Vulnerability Small and Medium Enterprises(MSMEs) are facing challenges with rising input costs and implicit inflationary pressures, which could hamper product under the" Make in India" action.

2. Specific Sectoral Impacts

• Electronics & motorcars theelectronics manufacturing sector, which boasts$ 4.5 billion in exports(primarily through the UAE), is at threat due to airspace closures and disintegrated maritime routes. Adding energy costs are also likely to dampen consumer sentiment, negatively affecting the automotive assiduity.

• Fertilisers & Agriculture The conflict poses a trouble to fertiliser inventories, which are vital for the agrarian manufacturing sector. A dislocation in the Strait of Hormuz could lead to a 30- 40 rise in urea prices, putting pressure on the agrarian force chain.

• Pharmaceuticals Assiduity judges prognosticate an implicit impact of$300-$500 million on Indian medicinal exports due to heightened freight costs and shipping declinations to Gulf capitals.

• Defence Manufacturing: While manufacturing may witness a temporary boost in sentiment, defence factors are also affected.

6 CONCLUSION OR DISCUSSION

This US-Israel-Iran war is no less than a world war-3 turned into an “Oil War.” Currently, Asia is embroiled in ongoing conflicts.

Russia -Ukraine war Israel -Palestine war Pakistan -Afghanistan war US-Israel-Iran war

Let's review US history. America has consistently asserted its power and dominance worldwide. And a desire to fully control the *Petro-Dollar Equation*, let us understand through some examples: In 1974, Henry Kissinger, who was then the national security advisor to the US president, travelled to Saudi Arabia and finalised a deal stating that all crude oil produced in Saudi Arabia should be sold in US Dollars only to the world. In exchange, the US would provide military support to Saudi Arabia. As a result, crude oil could only be purchased with dollars, and no other currency was acceptable to Gulf countries for trade. The dollar began to strengthen and eventually became the world's reserve currency. However, some countries started challenging this dollar dominance in the crude oil trade. The first was Iraq in 2003. In 2006, Iraq was labelled a nuclear threat to Western nations, which led to the invasion that ended Saddam Hussein's rule and seized Iraq's natural oil reserves. In 2009, Libya's Gaddafi rebelled, wanting to exchange his oil for gold instead of dollars. In 2011, after the fall of Syria's regime, the US took full control of these nations to exploit their oil under the pretext of removing dictatorial regimes. Another example is the Vietnam War, which lasted 20 years and ended in US failure. In 2025, Venezuela sought to sell its oil in Yuan to China and in Rubles to Russia and also aimed to join BRICS, which controls 40% of the world GDP. However, America feared that if Venezuela, with its vast reserves, joined BRICS, it could shift global power and weaken dollar dominance. Therefore, all these wars were fought to protect the dollar, ensuring that America's dollar supremacy remains unchallenged in the future.

Modus operandi of the US: It's all about Dominate—Capture—Sell Oil.

Wage or fund wars to create a marketplace for their own weapons and war equipment. Example: Ukraine-Russia War. The US has been doing this for decades to attack weak nations that are rich in natural resources and oil. It impacts economies worldwide, then later provides them with financial backing in the name of aid.

The current war with Iran is putting immense pressure on business supply chain management; the world's crude oil and gas routes have been jeopardised. The Strait of Hormuz, which handles 80% of Asia's oil trade and 40% of India's oil needs, has been negatively impacted. As a result, crude oil prices have reached a record high of $120 per barrel (11th March 2026). The LPG crisis has been created in India and major Asian countries like Pakistan, China, Korea, Malaysia, Singapore, etc. Commercial LPG requirements have been cut to 20% supplies, and private firms have been asked not to use oil and gas resources for the production of non-essential items. Under the Essential Commodities Act 1955, powers to control production, supply, distribution, sales, etc., of essential commodities like petroleum products, drugs, fertilisers, foodstuffs, edible oil, cotton yarns, seeds of food crops, masks, and hand sanitisers, etc., all permits for storage, transportation, distribution, disposal, use, or consumption of any essential commodity go to the central government at any time of crises (War, Sanctions, Pandemic).

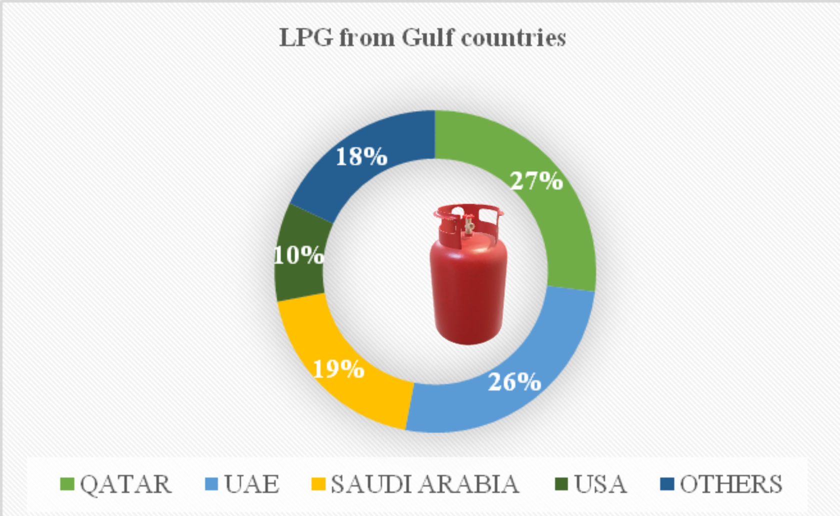

Figure 8: Country-wise LPG imports for India.

A major part of our LPG requirements comes from Qatar and the UAE, but ongoing drone strikes on their oil facilities have disrupted production and distribution centres, as well as blocked the route through the Strait of Hormuz.

Rising inflation and energy crisis: As the world imports over 80% crude oil from the Gulf. The fluctuations in oil prices are driving up inflation by 5 to 10 percentage. *Currency depreciation*: The Rupee is atrecord lows, resulting in higher import costs.*GDP*: A 1 percent drop in India's GDP growth occurred due to rising oil prices, which could reduce GDP growthby 6.2% and impose inflationary pressures on the ordinary person.*Manufacturing*: Closure of the Strait of Hormuz disrupted the supply chain from fertilisers to engineering, hitting our production sectors hard.

On the other side, the US is profiting in the war by displaying mass warfare equipment for future bulk orders, as it did after World War II and the Ukraine war. The Middle East would require the mass reconstruction of its damaged energy plants, and the US is likely to take up those reconstruction contracts. Stock market movements have been manipulated in futures trading and oil commodities. Majorly, the US will profit from selling its oil at high prices due to the war.

A short-term way to handle such a crisis temporarily is to use the Russian trade alliance and cut off non-essential goods production, which may utilise crucial energy resources.

A long-term strategy to address such a crisis can include alternative trade routes, deploying additional crude oil reserves, opening new markets for trade, and advancing towards the adoption of EVs and PNG gas.

7 Implications of the study

Let us examine the domino effect of this war. As the conflict persists, Israel struck Iran’s South Pars gas fields, which are Iran's energy lifeline. In retaliation, Iran attacked major energy infrastructure in the UAE, Saudi Arabia, and Qatar, impacting LNG facilities, oil refineries, and gas installations. Consider the bigger picture: the Strait of Hormuz was just a route, but now oil and gas fields are directly targeted. 90% of LPG comes from the Middle East. Saudi Arabia cut production by 2 million barrels per day, Qatar halted LNG production after attacks on Ras Laffan, and the UAE stopped operations at Habshan gas facilities following the attacks. Even if the war ends in a few weeks, repair work will take months, leading to higher inflation- your costs will increase. Fertilisers, agricultural products, gas cylinders, and commercial LPG prices will soar. Consumer goods inflation will rise. The world is on fire, and the matchstick is with the US.

When you realise that the LPG crisis is just the beginning of a much bigger problem for India. The world is panicking over crude oil and LPG supplies, but a more serious threat will be to our food supply; the real ticking time bomb is not oil but ammonia. Let's understand how science and economics work. Ammonia is produced from natural gas, and ultimately, this ammonia leads to the production of urea. It is a key fertiliser that helps India’s large agriculture sector operate daily. India imports $1 billion worth of raw ammonia for fertilisers from Gulf countries. But the harsh reality is that the entire Middle East has become a war zone. Saudi Arabia's Aramco has halted oil and gas production. Iran has blocked the Strait of Hormuz maritime route. That means if natural gas and ammonia do not reach our ports on time, India’s domestic fertiliser production will stop. This directly impacts crop yields, with the effects becoming clear in the harvest season of September and October. In short, when the fertiliser supply chain is disrupted, food shortages will occur, and grocery prices will soar, potentially causing severe food inflation. India has a history of government destabilisation related to food inflation issues (the post-1962 and 1965 wars, severe droughts- Congress lost the 1967 general elections in many states- and the 1998 onion price spike- BJP lost state elections), which could trigger a major political upheaval in New Delhi.

If we examine our diplomacy, which is at its peak, our 22 vessels are stuck in the Strait of Hormuz, but 4 have successfully reached Mumbai and Gujarat ports, even when Iran stopped the passage of enemy-linked vessels from the US, Israel, and Western countries. This demonstrates our diplomatic dominance; we obtained a pass through where Iran has banned all other countries. One mistake in a diplomatic move can pull us deeper into this war. The US and Iran's geopolitical conflict has knowingly or unknowingly impacted India's food security system at its most vulnerable point.

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