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Geopolitical Shockwaves: Assessing the Economic, Energy Security, and Strategic Implications of the West Asia Crisis on India

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Abstract

The West Asia region containing more than 9 million members of the Indian diaspora as well as nearly half of the proven global crude reserves, forms a strategic focal point of the Indian economic and security structure. The resurgence of war after the October 7, 2023 Hamas-Israel war, coupled with Houthi maritime disruptions in the Red Sea, has produced multi-dimensional geopolitical shocks which have direct impacts on India. In this study, the transmission of oil prices has raised the inflation rate at CPI of 6.7% in 202223, increased current account deficit to 2.0% of GDP and further devalued the rupee to the 8485/USD range. The strategic petroleum reserves in India only have an import duration of 9-12 days against the IEA mark of 90 days which translates into a devastating weakness. At the same time that strategic autonomy has been put to test by conflicting demands between GCC states, Israel and Iran, India has demonstrated some resilience through diversification of suppliers, buying Russian crude oil at a discount, and an accelerated deployment of renewable energy. The paper ends with policy suggestions that are integrated in energy security, diplomatic realignment and crisis management.

Keywords: energy security, geopolitical risk, oil price volatility, India foreign policy, strategic autonomy.

Introduction

The region that is known as West Asia, including the Gulf Cooperation Council (GCC) states, Iran, Iraq, Israel, and Palestine, collectively holds about 48 percent of the proven world crude oil reserves as well as 40 percent of the world natural gas reserves (International Energy Agency [IEA], 2024). As a country that is a consumer of over 5.2 million barrels a day in 202324, the stability of the West Asian energy corridors is a national security imperative to India. The critical maritime arteries in the network of Indian ports with the suppliers in the Persian Gulf, and any continuous disruption will have an immediate cascade economic effect.

India has been involved in West Asia more than just reliance on energy. Over 9 million members of the Indian diaspora, the largest overseas Indian community in the whole world, reside in the region, sending home about USD 44-46 billion every year (Jha and Kumar, 2022). The GCC states are also key trading partners with bilateral merchandise trade of over USD 160 billion in 202324. India has developed a strategic alliance with Saudi Arabia, the UAE, Israel, and Iran that it has to strike a delicate balance with every time there is a touch of turbulence in the region.

The modern West Asia crisis consists of various intersecting conflicts. A full-scale Israeli campaign persisted in Gaza on October 7, 2023, which was triggered by a Hamas-Israel war breaking out, and draws in Iran-backed proxies, notably Hezbollah and Houthi forces in Yemen, who have launched sustained maritime attacks on Red Sea shipping (Al-Rashid and Patel, 2023). By early 2024, the Bab-el-Mandeb Strait, through which around 12% of all global trade has been transiting, has become a contentious railway, compelling shipping lines to reroute their transactions between the boundary and the Cape of Good Hope gaining an additional 10-14 days to transit times and significantly increasing freight costs (Mahadevan, 2023).

There is, however, a significant gap that exists in the literature on India–West Asia relations: the deficit of integrated frameworks that concurrently evaluate economic, energy security and strategic aspects of current crisis.

The majority of the literature discusses these dimensions separately, without including key interdependencies (Sharma et al., 2024; Srivastava, 2022). The paper discusses three research objectives: (a) assess the economic impact of the crisis on the GDP, inflation, trade balance and currency of India; (b) evaluate energy security implications including disruption in supply and sensibility of India mitigation strategies and responses; and (c) assess strategic and geopolitical implications on the foreign policy stance, diaspora security, and maritime interests. The study is limited to 20222025, where the analysis of secondary data is conducted using mixed methods, on the basis of IMF, World Bank, IEA, RBI, and Ministry of Petroleum and Natural Gas sources.

Literature Review

Oil Price Shocks and Economic Effects

Present-day studies have perfected oil shock models of supranational market economies. As shown through the computable general equilibrium model, in response to a 20 percent oil price increase, Indian GDP is estimated to decline by about 0.3-0.5 percent with manufacturing and transport being the sectors that have to bear the negative adjustment cost in direct proportion to the increase in oil price. Gupta (2023) estimated the pass-through of the lower to higher India crude price, on to consumer price inflation in India, at 0.15 -0.22 (10 percent change in worldwide crude prices), with a two-three-quarter lag. Chandra and Mehta (2022) discovered that over the long term, sustained increases in the oil prices and the INR depreciation significantly had a cointegrating relationship with each other. Mohanty and Panda (2022) reported that in Indian equity indices, negative abnormal returns were negative with an average of -1.2% to -3.8% over 10 trading days of major conflict escalations in West Asia.

India–West Asia Relations

Kapoor and Misra (2024) place the involvement of India in the context of the Act West policy framework, and argue that the increased economic integration with the Gulf has facilitated both the expansion of Indian strategic influence and the exposure of India and its nation to the incidents of instability within the Gulf region. Ghosh and Banerjee (2023) study the relationship between India and Iran by stating that US sanctions do not allow treating Iranian crude as a diversification hedge but rather impose more reliance on Arab Gulf suppliers. Biswas and Chatterjee (2023) fully analyse the issue of interdependence in trade underlining structural vulnerabilities with a high degree of resiliency due to decades of international relations. Jha and Kumar (2022) establish that the current account deficit of India is a stabilizer of the country as receivers of the remittances of the diaspora during economic stress periods.

Energy Security Frameworks

The theoretical literature on energy security has developed beyond the (then) simple 4As framework, which includes Availability, Accessibility, Affordability, Acceptability, (Srivastava, 2022). Bhattacharya and Sharma (2022) maintain that the country's transition to renewable energy is still incomplete to remove dependency on fossil fuels, at least in the short term, with fossil fuels projected to go up to 4550 percent of primary energy by 2030. Kumar and Singh (2023) review strategic petroleum reserve (SPR) program in India, stating that current coverage of 9.7 million metric ton of India is only 9-12 days of imported coverage, much less compared to 90-day standard provided by IEA. Dasgupta and Nair (2024) evaluate the SPR expansion plans to be implemented in India both in terms of fiscal feasibility and strategic sufficiency.

Strategic and Geopolitical Levels.

The doctrine of strategic autonomy governing Indian decision-making processes, according to Mearsheimer and Rajagopalan (2023) causes the greatest benefit to be gained by maximizing the benefits of the competing great

power relationships whilst creating a decision-making paralysis situation when acute crises occur. Pant and Super (2023) argue that the Houthi maritime menace has only escalated the naval modernization initiatives by India, as well as hastened its engagement with the US-led multinational maritime force. According to Batra (2024), diplomatic strains exist between the publicly declared support of Statehood of Palestine in India and its deepening political and strategic affiliation with Israel. Together, these studies indicate one gap: the absence of an integrated analytical framework that synthesizes all three dimensions of impact economic, energy, and strategic within the framework of the post-October 2023 crisis context.

Methodology

This research is a blend of both explanatory and mixed-method research design. The quantitative aspect uses trend analysis and time-series decomposition of the information on the energy imports of India, as well as on the macroeconomic variables. The qualitative dimension is based on the systematic thematic analysis of the official government statements, parliamentary debates, communications of the Ministry of External Affairs, and policy briefs of think-tanks based on the six-phase Braun and Clarke (2006) model. The multi-dimensional character of the research problem, which is an economic measurement, an energy policy analysis, and strategic studies—the fields where different epistemological techniques are needed (International Monetary Fund [IMF], 2023).

The main quantitative data sources include: the IMF World Economic Outlook database and the India country reports (IMF, 2024); the World Bank Development Indicators (World Bank, 2024); the IEA Oil Market Reports (IEA, 2024); the RBI Annual Reports and the Monetary Policy Reports (Reserve Bank of India [RBI], 2023, 2024); and the annual reports by the ministry of petroleum and natural gas (Government of India, 2024). The qualitative data are based on annual reports of the Ministry of External Affairs (Ministry of External Affairs, 2024), parliamentary debates, and communiqué of bilateral summits. The study period spans January 2022 to April 2025; data points marked as preliminary estimates are treated accordingly. A key limitation is the reliance on aggregate macroeconomic outcomes, which excludes micro-level effects on individual firms or households.

Data Analysis Techniques

Analysis methods used are seven, and are used in the quantitative and qualitative strands of this research. (1) Time-Series Trend Analysis: the macroeconomic variables are (oil import bill, CPI, current account deficit and INR/USD rate), which are tracked across the period of 2022-2025 using IMF WEO, RBI Reports and PPAC data to detect period of crisis deviations in the trend. (2) Thematic Analysis: the coded sections include official government statements, parliamentary debates, and policy briefs to systematise the common policy themes. (3) Computable General Equilibrium (CGE) Modelling: a 20% oil price shock is estimated by using the sectoral model, created by Mallick and Marques (2022), to capture industry-wide GDP loss (0.3-0.5) associated with a 20% oil price shock. (4)Regression and Pass through Estimation: the OLS/ VAR framework of Gupta (2023) is utilized to estimate the crude to CPI pass through rate (0.1522 per 10 percent price change) which isolates the cause and effect relationship between the global energy price and the domestic inflation rate. (5) Cointegration Analysis: the Vector Error Correction Model (VECM) proves the long-run structural relationship between the levels of the oil price and the level of the INR depreciation. (6) Event Study Methodology: the abnormal return window test of Mohanty and Panda (2022) has the effect of isolating the impact of geopolitical shocks on stock markets, separating the influences of geopolitical shock on stock market rates. (7) Comparative Historical Analysis: The 202325 crisis response in India is benchmarked against five historical oil shock episodes (1973, 1990, 2003, 2011, 2022) using IMF and World Bank historical databases to put severity and efficacy of oil shock policy responses in context.

Analytical Framework

The paper incorporates three very broad analytical approaches. First, the 4As Energy Security Framework (Srivastava, 2022) - consisting of Availability, Accessibility, Affordability, and Acceptability - operationalises the energy security posture of India in dimensionally demonstrable format, revealing the coverage gaps in the SPR (Availability) and financial strain of subsidies on fuel (Affordability). Second, the Strategic Autonomy Doctrine of India (Mearsheimer and Rajagopalan, 2023) explains the decision-making related to foreign policy that shapes the decision-making in crisis response: multi-vector hedging across the GCC states, Israel, Iran, and Russia, without aligning with any of them. Third, the IMF (2023) Geopolitical Risk Transmission Model frames the three-channel architecture of the study - oil price, trade and financial channels - by which West Asian shocks lead to domestic macroeconomic results in India. These frameworks, when combined, will be the primary analytic contribution of the study: a combined tripartite model that will evaluate the same three factors simultaneously, addressing the gap found in the literature.

Model Explanation and Cause-Effect Reasoning

The analytical model used in this study follows a clear causal sequence: West Asian geopolitical triggers first alter global risk conditions; these risk conditions then affect oil prices, freight routes, insurance premiums, and capital-market sentiment; these intermediate channels finally influence India through inflation, the current account deficit, exchange-rate pressure, energy security buffers, and diplomatic choices. In this logic, the crisis is not treated as an isolated foreign-policy event but as an external shock transmitted through measurable economic and strategic pathways. The oil-price channel explains how higher Brent prices enlarge the import bill and raise consumer-price pressures; the trade channel explains how Red Sea rerouting increases shipping time and logistics costs; and the financial channel explains how uncertainty can produce rupee pressure and portfolio risk aversion (IMF, 2023, 2024; RBI, 2024; World Bank, 2024).

This cause-effect design strengthens interpretation because each outcome is linked to an identifiable mechanism rather than merely listed as a trend. For example, India's CPI inflation and CAD movements are interpreted as downstream effects of crude-import dependence, while naval deployments and multi-track diplomacy are interpreted as policy responses to the same energy-security vulnerability. Thus, economic, energy, and strategic effects are mutually reinforcing: energy dependence creates macroeconomic exposure; macroeconomic exposure shapes diplomatic hedging; and diplomatic or naval action seeks to protect the energy corridor that caused the exposure in the first place (Kapoor & Misra, 2024; Kumar & Singh, 2023; Srivastava, 2022).

Visual Framework 1: Conceptual Model — Geopolitical Triggers, Transmission Channels, and India Impact Domains

Conceptual Model Below, articulates the analytical architecture of the paper. The four geopolitical triggers (i) the Oil Price Channel, which is reflected in the increase of the import bill and fuel subsidies; (ii) the Trade Channel, and is reflected in the rise of the cost of logistics and the freight rates, (iii) the Financial Channel, which is reflected in the increase of the capital outflow driven by the risk-off sentiment. These channels cause both broad impacts on three India domains: Economic (CPI, GDP, CAD, INR); Energy Security (SPR adequacy, supplier mix, renewables deployment); and Strategic (diplomatic posture, maritime operations, diaspora security). The model explains how all three domains, namely energy security, economic outcomes and diplomatic choices, and their relationship to each other.

Interpretatively, the model suggests that India's vulnerability is systemic rather than episodic. A temporary fall in Brent prices may reduce immediate inflationary pressure, but it does not remove the underlying causal exposure created by high import dependence, narrow maritime chokepoints, and limited SPR coverage. Therefore, the most important finding is not only that the West Asia crisis increased costs, but that it revealed how quickly a regional security event can become a domestic macroeconomic and strategic-security problem for India.

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Visual Framework 2: Flow of Impact — Five-Stage Cascade from Geopolitical Shock to Policy Response

The flow-of-impact model is able to capture the temporal sequencing of the spread of the crisis. Stage 1 (Geopolitical Shock): the upheaval starts with the October 7 Hamas attack, Houthi Red Sea blockade and Iran proxy escalation. The initial shock is heightened by stage 2 (Global Energy Market Disruption): Brent crude volatility (USD 7297/barrel) and Suez rerouting via the Cape of Good Hope (+1014 days) heighten the initial shock. Stage 3 (Transmission into India): the shock goes into India at the same time through the oil price, as through trade, or through the financial channel, as described in the conceptual model. Stage 4 (India Impact Domains): quantifiable consequences become a reality, such as CPI at 6.7, CAD at 2.0% of GDP, INR at 84 85/USD (Economic), SPR at 9 12 days of coverage, Russian crude at 19% of imports, accelerated renewable capacity creation (Energy Security), and diplomatic hedging, 60+ naval escort operations, Lebanon evacuation (Strategic). Stage 5 (Policy Response Ecosystem): Structured response to a crisis is implemented throughout SPR expansion, supplier diversification, multi-track diplomacy, formal crisis protocols, and renewable energy acceleration - feeds back into reducing structural vulnerability on the medium term.

[Figure VF2: Flow of Impact — Five-Stage Cascade from West Asia Shock to India Policy Response]

Economic Implications on India

Western Asian crisis has created economic stresses which have worked through three main channels: oil price channel (when oil prices rise, the import bill increases and fuel prices increase which reduces export competitiveness), trade channel (when bilateral trade and logistics costs become disrupted, export competitiveness declines through three primary channels), and financial channel (when global risk-off sentiment arises, global risk-off works through three main channels; IMF, 2024).

The cause-effect relationship is strongest in the oil-price channel. Because India imports the majority of its crude requirement, a rise in global crude prices immediately increases the import bill; the larger import bill then widens the current account deficit, raises demand for foreign exchange, and contributes to rupee depreciation. Depreciation further raises the rupee cost of imported crude, creating a feedback loop between external-sector pressure and domestic inflation. This explains why the CPI, CAD, and INR indicators in Table 2 move together during crisis years rather than behaving as unrelated macroeconomic variables (Gupta, 2023; Prasad & Verma, 2024; RBI, 2024).

Table 1 India's Oil Import Dependency, 2020–21 to 2024–25

Year	Total Imports (MT)	West Asia Share (%)	Import Value (USD Bn)	% of Total Imports
2020–21	196.5	61.2	82.4	22.8
2021–22	212.2	63.4	119.2	27.6
2022–23	232.4	64.1	157.8	29.3
2023–24	248.1	62.8	163.9	28.7
2024–25*	251.3	60.4	149.2	27.1

Note. *Preliminary estimates. MT = Million Tonnes. Source: Government of India (2024); Petroleum Planning and Analysis Cell (2024).

Table 1 confirms the persistence of India's oil import dependency, with West Asia's share remaining above 60% throughout the study period. The nominal import bill surged to USD 157.8 billion in 2022–23 before moderating as India negotiated discounted Russian crude (Ahmad & Krishnaswami, 2023)

Table 2 India's Key Macroeconomic Indicators, 2022–23 to 2025–26

Indicator	2022–23	2023–24	2024–25*	2025–26 Proj.
GDP Growth (%)	7.2	8.2	6.4	6.8
CPI Inflation (%)	6.7	5.4	4.9	4.5
Current Account Deficit (% GDP)	-2.0	-1.0	-1.1	-1.3
Fiscal Deficit (% GDP)	-6.4	-5.9	-5.1	-4.8
Forex Reserves (USD Bn)	578	646	652	660
INR/USD Rate	81.7	83.2	84.5	85.0

Note. *Preliminary. Proj. = IMF/World Bank projections. Source: IMF (2024); RBI (2024); World Bank (2024).

GDP Growth and Inflation

The growth of the GDP of India was 8.2% in 202324 - among the highest growth rates of an economy of that size since its economy had just begun to grow at that time - yet model-based estimates suggest that it would have increased by 0.4-0.6 percentage points higher absent the crisis since its economy was only just starting to grow by that point as well. In 202223, CPI inflation was 6.7 percent, which is above the upper tolerance band of the oil price spike of 6 per cent, as outlined by the RBI. Gupta (2023) attributes the oil price spike to the extent of 1.1-1.4%. Three-quarter insulation at a high fiscal cost (INR 2.3 lakh crore) provides partial insulation (Shukla and Upadhyay, 2023).

Trade Balance, Rupee Volatility, and Sectoral Impacts

The deficit in the merchandise trade with West Asia is highest with USD 120.8 billion in 202223 followed by USD 111.6 billion in 202324 (Biswas and Chatterjee, 2023). In 20222023, the current account deficit rose briefly to 2.0 percent of the GDP before recovering, as the prices of oil products moderated globally and the boom growth of service exports, especially of IT and the Gulf diaspora remittances, came to the rescue. INR has depreciated to range between 84 and 85/USD at the end of 2024; compared to early 2022 when INR was approximately 74/USD (Prasad and Verma, 2024). The disproportionate adjustment costs among the transport, manufacturing, and agriculture sectors were dominated by higher diesel, feedstock, and fertilizer prices with harder-to-wage workers accounting for the majority of expenditures on consumer goods and services (Dutta, 2022).

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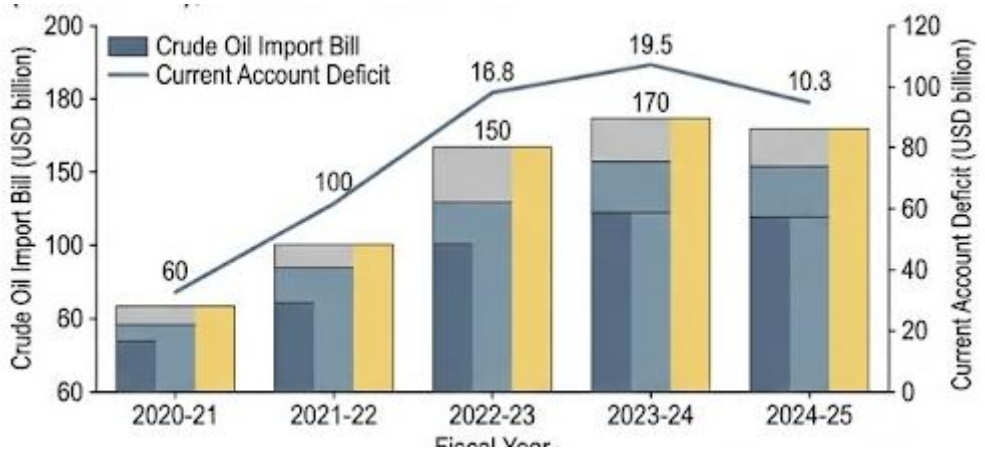

Figure 1. India's crude oil import bill versus current account deficit (USD billion), 2020–21 to 2024–25.

Energy Security Implications

The energy security dilemma in India is structural: the share of oil self-sufficiency in India has decreased since around 35 per cent in 1990 down to nearly 15 per cent in 2024, due to the growth of the demand that has significantly exceeded the domestic production (IEA, 2024). As described by Srivastava (2022), this would be a generational commitment to policy to diversify.

Figure 2. India's crude oil import sources by share (%), 2023–24.

Red Sea Disruptions and Price Volatility

The Houthi seafarer assault commencing in November 2023 intensified in the direction of major container lines, prompting them to rerout via the Cape of Good Hope, increasing the distance of the voyage routes by 3,500 nautical miles and the transit period by 10-14 days (Yadav and Chaudhary, 2025). Brent crude stood at USD 80-90 range, fluctuating between USD 72-97 following the October 7 attacks, just before returning to the USD 80-90 range, on most of 2024 (OPEC, 2024). It was estimated that in 202223 the under-recoveries of state-owned oil marketing companies will stand at INR 1.1 lakh crore before leveling as retail prices were adjusted (Shukla and Upadhyay, 2023).

Strategic Petroleum Reserves and Diversification

The Strategic Petroleum Reserve program of India entails three underground facilities at Visakhapatnam (1.33 MMT), Mangalore (1.5 MMT), and Padur (2.5 MMT) to supply coverage of about 9-10 days of imports - far below the IEA 90-day standard coverage (Dasgupta and Nair, 2024). Proposed development to Chandikhol and Padur Phase II would be a capacity of about 12 MMT and yet inadequate by the IEA standards. Kumar and Singh (2023) suggest that the emerging major economies that imported oil should have a 30-day minimum threshold.

The most notable diversification success story of India has been the explosive growth of Russian crude imports after the Western sanctions following the month of February 2022. By 202324, the Russian crude, which comes at USD 1220 per barrel below Brent, had managed to get hold of about 19% of the Indian import market, which has over 110,000 barrels per day (mba, n.d.). India has simultaneously augmented US, Brazilian and West African imports. The long-lasting transition based on renewable energy sources is the most sustainable at the demand-side level: each gigawatt of solar and wind energy added to the system reduces the incremental clean energy demand of India by about 0.8-1.2 million barrels per year (Bhattacharya and Sharma, 2022).

Table 3 India's Energy Diversification Strategy: Status and Targets

Strategy Pillar	**Current Status**	**2030 Target**	**Key Challenges**
Renewable Energy	184 GW installed	500 GW	Grid integration, storage
Strategic Petroleum Reserve	~9.7 MMT (3 sites)	18 MMT (6 sites)	Capital investment
Supplier Diversification	Russia ~19%, USA ~6%	Non-Gulf >25%	Logistics, sanctions risk
Natural Gas	6.5% of energy mix	15% by 2030	Infrastructure gaps
Energy Efficiency	PAT scheme active	33% intensity cut	Industrial compliance

Note. MMT = Million Metric Tonnes. GW = Gigawatts. PAT = Perform, Achieve, Trade scheme. Source: IEA (2024); Government of India (2024).

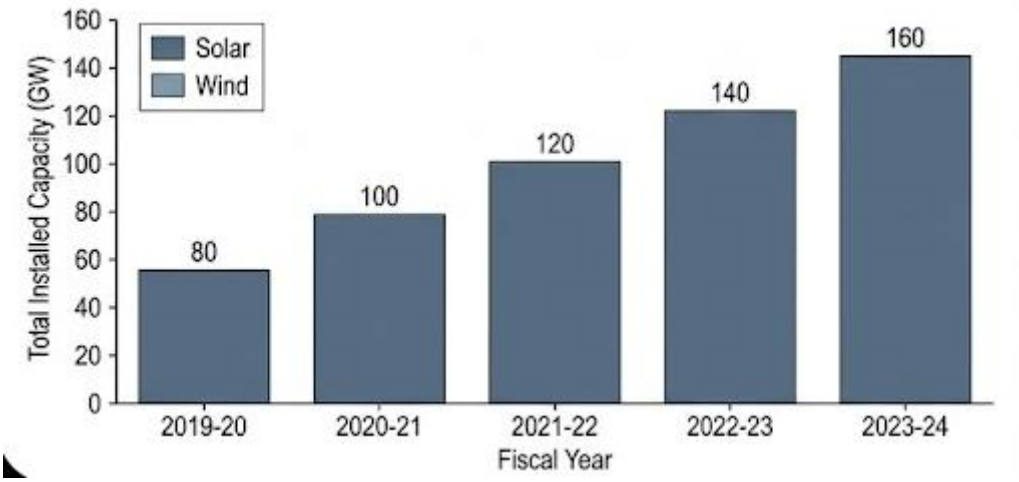

Figure 3. India's installed renewable energy capacity (GW), 2019–2024.

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Strategic and Geopolitical Implications

India's Foreign Policy Balancing Act

Strategic autonomy doctrine in India has been put under a lot of pressure due to the West Asia crisis. The relations of India with parties to the conflict are profoundly intertwined: GCC states are important sources of energy and places of habitation of the so-called diaspora; Israel is a key cooperator in defense systems, surveillance technology, and cooperation in counter-terrorist activities; Iran is a neighbor whom India is central to meeting his Chabahar Port connectivity ambitions in Central Asia; and the cause of Palestine resonates with an important domestic political constituency (Batra, 2024). The reaction of India to the attacks of October 7 balanced these competing pressures by typical hedging: showing support to the right to self-defense of Israel and at the same time, calling on civilian protection and voting on the resolutions of the UN General Assembly on ceasefire (Saran and Stancati, 2023).

The gulf relations, Iran, and Israel.

The India-GCC ties have been able to strengthen significantly. The UAE Indian Comprehensive Economic Partnership Agreement (CEPA - signed in February 2022) facilitated the faster flow of bilateral trade and investment operations. Gulf sovereign wealth funds became major investors in Indian infrastructure, technology, and renewable energy. The positive impact of India not taking explicit criticism of Israeli military operations highlights the issue of deliberate avoidance of the Israeli-Palestinian issue in India (Riedel and Balachandran, 2022). The US sanctions imposed on Iran have limited the ability of India to reap the benefits of Iranian crude, as has the Chabahar Port, particularly after its exemption by the US in 2023 (Ghosh and Banerjee, 2023).

Diaspora Security and Sea Transport.

The human security aspect of the GCC countries with an estimated population of 9.2 million nationals is the Indian diaspora, whose remittances of USD 44-46 billion a year are a critical current account stabilizer (Jha and Kumar, 2022). India has been seen to evacuate an estimated number of 6000 India nationals in Lebanon during the escalation in 2024 using coordinated commercial and naval resources which has demonstrated credible capability in responding to crises. At the sea level, India deployed naval vessels as part of Operation Sankalp and later operations, conducting over 60 counter-piracy and escort operations.in 202324 (Pant and Super, 2023). Although India did not always openly engage in operations or resolve issues led by the United States, under the policy of strategic autonomy, it had conducted parallel independent deployments in the same theater (Bose, 2024).

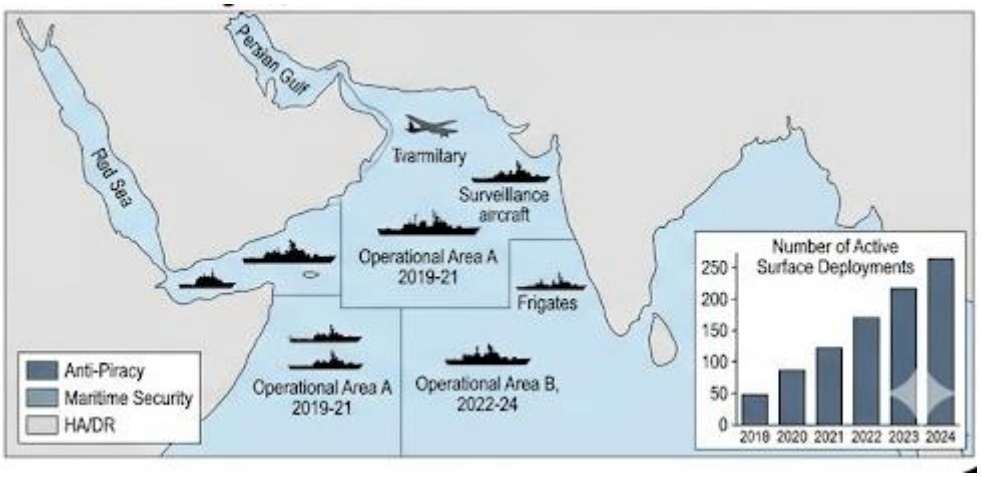

Figure 4. India's naval deployment operations in the Arabian Sea and Red Sea region, 2019–2024.

Table 4 India's Trade Relations with West Asia, 2021–22 to 2024–25

Trade Category	2021–22	2022–23	2023–24	2024–25*
Exports to West Asia (USD Bn)	47.1	51.6	58.2	54.8
Imports from West Asia (USD Bn)	138.2	172.4	169.8	158.6
Trade Balance (USD Bn)	-91.1	-120.8	-111.6	-103.8
Remittances from Gulf (USD Bn)	38.5	42.1	44.8	46.2
FDI from Gulf (USD Bn)	3.8	5.1	6.4	7.2

Discussion

Integrated Analysis of Economic, Energy, and Strategic Dimensions

One of the key contributions of the paper is its harmonious approach that demonstrates essential interdependencies, which domain-specific studies tend to overlook. The energy security lens is an essential component of the economic transmission mechanism in India: that is, it is the oil import bill that transmits the geopolitical disruption in the region to domestic inflationary and fiscal pressure. Likewise, the economically driven foreign policy posture of India, which is its hedged response to the Israel-Gaza conflict, its continued to purchase discounted Russian oil, its partial role in Red Sea maritime security, are, themselves, directly influenced by the economic necessity of remaining affordable oil access (Kapoor and Misra, 2024). On the other hand, India has implicit energy security assurances by developing bilateral political capital to pursue long-term and favorable supply contracts and logistical precedence when supply discontinuities occur (Chatham House, 2023).

A stronger interpretation of these findings is that India’s resilience is tactical, while its vulnerability remains structural. The availability of discounted Russian crude, large foreign-exchange reserves, and calibrated fuel-price management helped India absorb the immediate shock; however, these measures reduced symptoms rather than eliminated the causal source of risk. As long as West Asia remains central to India’s crude supply and maritime logistics, external political conflict will continue to transmit into domestic inflation, fiscal stress, and strategic-security calculations (Ahmad & Krishnaswami, 2023; Dasgupta & Nair, 2024; IEA, 2024).

Comparison to past episodes of oil shocks.

Placing the new crisis into the context of the historical experience of India would give a valuable background. It was the greatest oil shock crisis that India was forced to experience and it led to a foreign exchange crisis wherein India had to experience an emergency IMF standby arrangement. The present crisis has brought a significantly more robust reaction, which is evident in the re-evaluation of India as an external accounts provider; that is, has raised the barriers to foreign entry (license requirement).<|human|>The current crisis has led to a much more resilient response, which is reflected in the re-evaluation of India as an external accounts provider; that is has raised the barriers to foreign entry (license requirement). Supply of Russian oil in quantity at large discounts in 202224 is a structural factor not previously present in the past episodes, and the macroeconomic effect was significantly lowered compared to past episodes..

Table 5 Comparative Analysis of Oil Shock Episodes and India's Response

Episode	Period	Price Spike	GDP Impact	India's Policy Response
Arab Oil Embargo	1973–74	+400%	-1.2%	Import controls, rationing
Gulf War	1990–91	+135%	-1.5%	BOP crisis, IMF loan
Iraq War	2003	+70%	-0.3%	Managed via subsidies
Arab Spring	2011	+45%	-0.4%	SPR utilization
Russia–Ukraine	2022–23	+60%	-0.8%	Russian oil, SPR
West Asia Crisis	2023–25	+35%	-0.5%	Diversification, diplomacy

Note. GDP impact estimates are approximate and based on historical modeling. Source: IMF (2023, 2024); World Bank (2024); RBI (2023).

Long-Term Versus Short-Term Implications

In the short term (2023--26), the crisis has brought about manageable ex state economy costs: high inflation, fiscal pressure, rupee depreciation, and disrupted logistics. The structural effects can be more decisive in the context of the medium term (202630). Although economically logical, the diversification of India to Russian crude fosters novelties of geopolitical dependencies. The theatrical increase in naval mobilisation in Indian Ocean heightens the competition with the expansion in the maritime presence of China. And the pressure to increase move to deploy renewable energy even faster increased due to the crisis, and is likely to have the most lasting and eventually positive structural effect (Bhattacharya & Sharma, 2022). Figure 5 shows the trend of the Brent crude price over the analysis period, which has relative moderation of the 202325 episode, in contrast with the post-Ukraine spike of 2022.

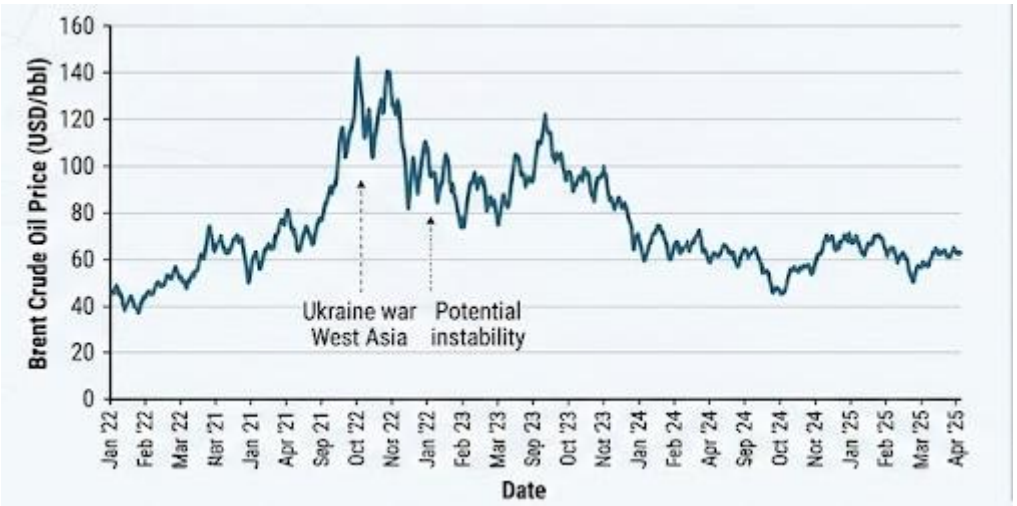

Figure 5. Brent crude oil price trend (USD per barrel), January 2022 – April 2025.

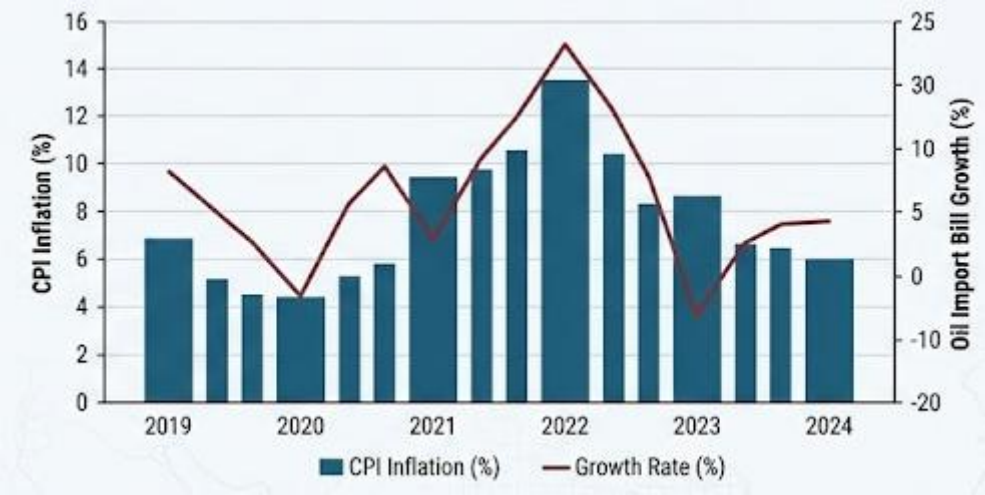

Figure 6. India's CPI inflation (%) and oil import bill growth (%), 2019–2024.

Policy Recommendations

Enhance Strategic Petroleum Reserves. To increase the minimum SPR coverage to a minimum of 30-day import coverage and 45 -60 days in 10 years. An equitable financial-strategy hybrid type of installations in a partnership model between the public and the private has provided a fiscally viable solution. The Chandikhol and Padur Phase II projects should be fast-tracked (Dasgupta & Nair, 2024; Kumar & Singh, 2023).

Accelerate Energy Diversification. By 2030 India should aim to reduce the share of West Asia to less than half of the imports of crude oil or petroleum products; this can be achieved through sustained procurement of Russian, US, Brazilian, and West African crude oil or petroleum products below half its imports. Increments of crude demand will fall by 0.8-1.2million barrels per year with each gigawatt of renewable capacity.

Follow Proactive Multi-Track Diplomacy. India must institutionalize an annual IndiaGCC Strategic Dialogue at the heads-of-state level, participate as a formal observer in Middle East peace processes and leverage Chabahar-INSTC axis to strengthen ties with Iran without provoking sanctions and always calibrate the extent of Israel coordination to focus on emphasizing technology and defence rather than public political adornments (Batra, 2024; Kapoor and Misra, 2024).

Develop Crisis Management Protocol. A West Asia Crisis Response Protocol in the National Security Council Secretariat (including Ministries of External Affairs, Petroleum, Finance and Defence) in conjunction with the RBI and PPAC should define pre-designated response protocols in three scenarios: supply disruption (Hormuz blockade), price shock (Brent above USD 120/barrel), and diaspora emergency (large-scale evacuation; Sharma et al., 2024).

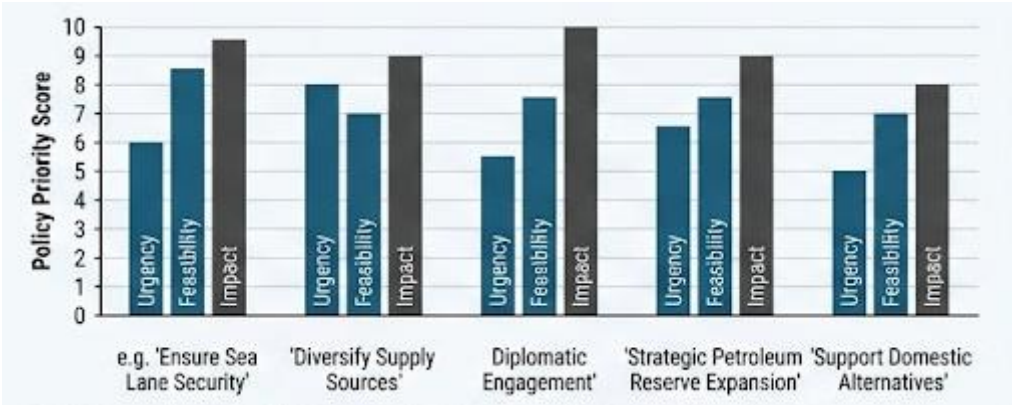

Figure 7. Recommended policy priority scores for India's West Asia crisis response (1–10 scale).

Conclusion

This paper has undertaken a systematic, integrated analysis of the economic, energy security, and strategic implications of the West Asia crisis on India over 2022–2025. The findings confirm that India faces multi-dimensional exposure to regional geopolitical turbulence rooted in structural dependencies that short-term tactical adjustments alone cannot resolve. On the economic dimension, the crisis generated real but manageable costs — CPI inflation of 6.7% in 2022–23, a current account deficit of 2.0% of GDP, rupee depreciation to the 84–85/USD range, and substantial subsidy expenditure — with India's macroeconomic resilience, anchored by large foreign exchange reserves and unprecedented access to discounted Russian crude, preventing a repeat of the 1990–91 crisis severity. Structurally, however, India remains highly exposed: West Asia supplies over 60% of crude imports, and any sustained disruption would rapidly outpace available buffers.On the energy security dimension, the crisis exposed the inadequacy of India's SPR coverage (9–12 days against the IEA's 90-day standard) and the vulnerability of Red Sea–Suez logistics to non-state actors. The policy response has been constructive: accelerated SPR expansion, supplier diversification, and reinvigorated renewable energy commitments, though transition speed must be substantially increased to meaningfully reduce West Asian supply exposure over the coming decade. On the strategic dimension, the crisis tested the core tensions within India's strategic autonomy doctrine. India's independent naval deployments in the Arabian Sea and Gulf of Aden demonstrated a clear strategic intent: when energy lifelines are threatened, India is prepared to act. The long-term trajectory — from regional stability consumer to net security provider in the Indian Ocean Region — is now firmly in motion.

The model-based explanation therefore supports one central inference: India's policy priority should shift from crisis absorption to vulnerability reduction. SPR expansion, supplier diversification, renewable-energy acceleration, and institutionalized crisis protocols are not separate policy choices; they are linked interventions designed to weaken the causal chain from geopolitical shock to domestic economic instability. This interpretation provides a stronger policy rationale for treating energy security as part of national economic security and maritime strategy rather than as a stand-alone petroleum-sector issue.

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