

India's trade with Africa may take a hit if Iran-Israel conflict widens

A SNAPSHOT

India's exports to West Asia and Africa from April to July this year

GCC:	\$17.79 bn	Share: 12%
Other West Asia nations:	\$2.89 bn	Share: 2%
Africa:	\$13.91 bn	Share: 9.6%
Total exports:	\$143.95 bn	

Other West Asian nations include Iran, Iraq, Israel, Jordan, Lebanon, Syria and Yemen; GCC: Gulf Cooperation Council Source: Department of Commerce

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A further escalation of the conflict between Iran and Israel will not only put India's exports to West Asia at risk, but also impact trade with Africa.

Government officials said that exports to Africa will take a hit since a substantial amount of outbound shipments are routed from the UAE – a key transshipment hub to that region.

India exports 10 per cent of its goods to Africa, valued at \$13.9 billion during the first seven months of this financial year.

The commerce department is closely tracking the conflict between Iran and Israel and any development related to the same is under its radar.

The government's discussions have started with exporters to gauge their sentiment and look at the potential impact on trade, with respect to the disruption in transportation,

India's dependence on petroleum imports as well as key commodities.

Last month, Lebanon-based Hezbollah leader Hassan Nasrallah was killed in an Israeli airstrike. In response to the attack on its key ally, Iran fired ballistic missiles on Israel earlier this month.

"If it's a full blown war between Iran and Israel, it won't be confined to those two countries. The entire West Asia will be impacted since that

region is a big driver of demand. West Asia is also a route for exporting a lot of commodities. In that case, our Africa and West Asian exports will take a hit," a senior government official told Business Standard.

India exported goods worth over \$20 billion to West Asia, resulting in a share of 14 per cent during April-July. However, among West Asian nations, 86 per cent of the shipments are exported to the six Gulf Cooperation Council countries — the UAE, Saudi Arabia, Oman, Bahrain, Kuwait and Qatar.

TAKE TWO P19
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Turn to Page 6 ▶



Retaliation from Israel may lead to higher oil prices

Imports may also take a hit since India is dependent on petroleum imports from Iraq, Saudi Arabia and the UAE, among West Asian nations. On a brighter note, India has been able to diversify its petroleum supply and is not strictly dependent on West Asian countries, the official cited above said.

The commerce department is also holding meetings with the shipping ministry to firm up a long-term strategy to deal with global logistics-related challenges faced by the trade.

Exporters said the geopolitical scenario is grim and an escalation in the conflict, in the form of a retaliation from Israel, may lead to higher oil prices, increased shipping costs and supply chain disruptions. They said the impact on the volume and value of trade will depend on the gravity of the escalation of the conflict. “On our part, inventory management is crucial. Especially, in the case of the imports, it’s important to be prepared with a few months’ inventory,” one of the persons added.
