

## Geopolitical tensions

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India's trade with geopolitically sensitive countries, though limited, reflects sector-specific dependencies

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*Key export relationships include agricultural products such as tea to Russia, basmati rice to Iran, and textile raw materials to Bangladesh.*

Global geopolitical tensions are being shaped by overlapping conflicts and changing strategic relationships, with significant effects on global security and trade. The Russia–Ukraine war continues to disrupt energy and commodity markets, while rising tensions between Iran and Israel increase risks to stability and oil supplies in West Asia. Political unrest in Bangladesh, the crisis in Venezuela, and the Thailand–Cambodia border dispute add further uncertainty. These developments are influencing trade, supply chains, and diplomatic engagements.

For India, which is closely connected to some of these regions, the changing environment has important implications for external trade and sector-specific risks. In this report, ICRA has assessed how these geopolitical dynamics affect India's trade and financial flows, with a focus on the most impacted sectors.

## Merchandise trade

- Russia, Ukraine, Iran, Israel, Bangladesh, Venezuela, Thailand, and Cambodia are among the countries experiencing ongoing conflict, political instability, or geopolitical tensions. Together, these eight countries account for about 10% of India's total trade, with Russia contributing 6%, followed by Thailand and Bangladesh at around 3% each in FY2025. Trade with Israel, Venezuela, Ukraine, and Cambodia remains sub-1%.
- India–Russia trade grew at a strong 39% CAGR between FY2016 and FY2025, driven largely by higher petroleum imports, which widened the trade deficit for India. Trade with Thailand expanded at a 7% CAGR, though faster import growth led to a deficit. India–Bangladesh trade increased at a 7% CAGR over FY2015–FY2025, and despite higher imports, India maintained a trade surplus in FY2025, with exports nearly six times the value of imports.

## Indian exports – impacted sectors

India's export linkages with these countries reflect notable sector-specific dependencies:

- **Agri products:** India has significant export dependency on Bangladesh for several agricultural products and this is the major export destination for molasses.
- **Tea:** Russia and Iran remain among the largest export destinations for Indian tea.
- **Basmati rice:** Iran is an important destination for India's basmati rice exports; however, its share has declined from 30% in FY2020 to 14% in FY2025 due to global sanctions.
- **Textiles:** India relies heavily on Bangladesh as a key market for exports of textile raw materials.

*Key import dependencies include crude oil and newsprint from Russia and fertilisers from Russia and Israel.*

*Ensuring supply-chain security in vulnerable sectors will depend on sustained monitoring and prompt, strategic policy measures.*

## Indian imports – impacted sectors

India's import patterns across key sectors also reveal important linkages with these geopolitically sensitive countries:

- **Agri products:** Russia, Thailand, and Bangladesh are important sources for several agricultural import categories such as fresh vegetables, fruits, shellac, groundnut etc.
- **Crude oil:** Russia's share in India's oil imports has risen due to discounted crude. However, recent US sanctions on certain Russian producers have reduced India's purchases. Replacing discounted supplies with market-priced crude would increase the annual import bill, albeit by less than 2%. Venezuelan crude, being heavy and sour, is cheaper, and Indian refiners are likely to buy it once supplies are available.
- **Newsprint:** Russia continues to supply more than a quarter of India's newsprint imports, though its share has declined in recent periods.
- **Fertilisers:** Russia has been India's largest fertiliser supplier for three years. India is also dependent on Israel for muriate of potash (MOP), and the geopolitical uncertainty in Iran and Israel could disrupt supplies.
- **Textiles:** Although Bangladesh is a major source of India's apparel imports, imports form only ~10% of India's apparel exports in FY2025; hence, dependence on Bangladesh is limited.

- Foreign Direct Investment (FDI) equity inflows from these eight countries are negligible, and their contribution to Foreign Portfolio Investment (FPI), remittances to India, and India's migrant population is similarly limited.
- India has established bilateral agreements with all eight countries to enhance connectivity, cooperation, trade, and investment.
- Except for Iran, there is also a notable presence of Indian companies in these markets and vice versa, reflecting ongoing economic and commercial engagement despite geopolitical challenges.

India's trade and sectoral linkages with these geopolitically sensitive countries expose specific vulnerabilities across several domestic industries. As global tensions persist, sustained monitoring and timely policy measures will be essential to mitigate risks. Strengthening supply-chain resilience, diversifying critical import sources, and safeguarding key export markets will remain central to India's strategic response.



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