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FORCE MAJEURE OR POLICY FAILURE? INDIA'S COMMERCIAL VULNERABILITIES AMID THE IRAN CONFLICT

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Introduction

Every time there has been a conflict in the Persian Gulf, India has been impacted, and damage has fallen on it. Until now India has described the resulting commercial disruption as an external shock. Yet whenever the same cause occurs repeatedly, just as during the 1990-91 Gulf War[1] and now the US-Iran conflict in 2026, through the same bottleneck, it changes the question from whether the crisis was an unavoidable event to whether the vulnerability itself has presented itself as a policy choice.

On February 28, the United States and Israeli forces conducted joint strikes on Iran, which the US dubbed Operation Epic Fury. In response, Iran attacked the U.S. embassies and military installations in the UAE, Saudi Arabia, Qatar, Kuwait, Bahrain, Iraq, Oman and Jordan. Further, Iran widened the arena of conflict by attacking the oil infrastructures, including the vessels in the Strait of Hormuz, through which nearly 20% of the world's oil passes. As of now, the Strait of Hormuz has become a focal point of the war, continually impacting the world's economics.[2] The conflict impacting the world economy has also laid its damage on India's commercial market. It results in high oil prices and shortages of fertilisers, liquefied petroleum & natural gas, imported from the Gulf region by India, essential to sustain different sectors of India's economy.[3]

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[1] Gilles Boquerat, *Indian Response to the Gulf Crisis of 1990–91*, 38 INT'L STUD. 349, 349 (2001).

[2] *2026 Iran War*, ENCYCLOPAEDIA BRITANNICA, https://www.britannica.com/event/2026-Iran-war (last visited June 21, 2026).

[3] Karan Kashyap, *How the Iran War Impacts India's Economic Fortunes*, FORBES (May 10, 2026), https://www.forbes.com/sites/krnkashyap/2026/05/10/how-the-iran-war-impacts-indias-economic-fortunes/.

The conflict itself may have qualified as an external and unforeseeable event, whereas India's recurring revelation of its commercial consequences has raised a wider question regarding policymaking.

When a State Faces External Shocks

Force majeure is a French term, which translates to "superior force" or "greater force"[4]. It refers to extraordinary and unforeseeable events. Wars and armed conflicts tend to constitute a force majeure event for the global economy by disturbing the global supply chains, holding back transportation & trade routes, increasing energy and commodity prices, and leading to market uncertainty. An emergence of a global conflict causes an immediate market reaction, mostly a negative one. Oil prices have moved quickly among the investors as they fear disruption in shipping routes even before the supply is physically interrupted.[5] Thus, it becomes an excuse for the government to say that the Iran conflict was a geopolitical shock that was out of the Indian picture, as in a failure of India's geopolitics. Given India's high dependency on imported crude oil, disruptions in the Gulf region inevitably led to trade uncertainties that became a policy failure for India. The conflict in isolation can be easily classified as an inevitable external challenge. A geopolitical crisis, far from Indian shores, led to rising oil prices, disruption in supply chains, and uncertainties in trade.

When Force Majeure Turns into a Policy Failure

From earlier years, the Middle East and Gulf region have been highlighting India's soft underbelly in its policy towards the Gulf region.[6] The Iraqi invasion of Kuwait in 1990 exposed how heavily India's economy and labor force depended on the stability of a single volatile region. Political instability in the Gulf was visible since the beginning of 1980, but if the government had intervened in the oil and gas industry and worked on economic intelligence, it could have predicted the impact that it suffered after the 1990-91 conflict in the Gulf region.[7]

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[4] Levelpath, *Force Majeure*, LEVELPATH, https://www.levelpath.com/glossary/force-majeure (last visited June 22, 2026).

[5] U.S. Bank Asset Management Group, *Russia–Ukraine Conflict: Global Market Impact*, U.S. BANK (Mar. 1, 2022), https://www.usbank.com/investing/financial-perspectives/market-news/russia-ukraine-global-market.html.

[6] Anwar Alam, *The Kuwait Crisis of 1990–1991: The Turning Point in India's Middle East Policy*, RESEARCHGATE (Jan. 2019), https://www.researchgate.net/publication/330207635_The_Kuwait_Crisis_of_1990-1991_The_Turning_Point_in_India's_Middle_East_Policy.

[7] Kshitij Sharma, *India's Foreign Policy Towards the Middle East: A Study in Continuity and Change*, 6 INT'L J. CREATIVE RSCH. THOUGHTS 1741 (2018), https://ijcrt.org/papers/IJCRT1802336.pdf.

The pattern did not stop with Kuwait; the 2003 Iraq War raised concerns over oil supply disruptions and an increase in crude prices, which placed additional pressure on India's import bill. Further, the 2011 Syrian Civil War disrupted the oil trade routes, and the Indian oil investments in Syria were halted due to security reasons. The recurring Israel-Gaza conflicts also impacted India through increased oil prices and affected its exports to the region.[8]

India is the world's third-largest importer of crude oil, fourth-largest importer of liquefied natural gas, and second-largest consumer of liquefied petroleum gas. While being a major player in global energy commerce, India's import source remains concentrated, with a large share of supplies sourced from Gulf producers, exposing it to reoccurring supply disruptions and geopolitical shocks. Further, nearly half of India's crude oil imports and over 60% of its LNG & LPG supply transit through the Strait of Hormuz. Fiscal and political tensions have been caused very easily by disruption in LPG supply, and rising cost in LNG directly impacted prices of fertilisers and further escalated to food inflation.[9] India's exposure remains high as LPG is a mass household fuel that is highly import-dependent; roughly 54% of LPG availability is under direct exposure through the corridor. India has around 332.1 million active domestic LPG connections and 104.29 million Pradhan Mantri Ujjwala Yojana (PMUY) connections. This high scale of household dependence translates to the fact that any prolonged disruption may raise concerns.[10]

Conclusion

One could say that the Iran conflict is a force majeure situation, but then there is a question that arises when such external events continue to create the same internal effects. This is not the first time that a vulnerability has been well-known and exposed by previous crises, and yet the impacts are still considered unforeseeable?

The government has implemented measures like the construction of strategic petroleum reserves, diversification of energy imports and other connectivity projects like Chabahar Port and the International North-South Transport Corridor (INSTC). However, India's ongoing vulnerability to regional disruptions translates to failure of the mitigation efforts. The impact

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[8] *Impact of the Crisis in West Asia on India*, VAJIRAO & REDDY INSTITUTE (June 2025), https://www.vajiraoinstitute.com/current-affairs/impact-of-the-crisis-in-west-asia-on-india.

[9] Parul Bakshi, *Assessing India's Energy Vulnerabilities Amid the Gulf Crisis*, OIES ENERGY COMMENT (Mar. 2026), https://www.oxfordenergy.org/publications/assessing-indias-energy-vulnerabilities-amid-the-gulf-crisis/.

[10] Arya Roy Bardhan, *One Narrow Strait, Millions of Cylinders: India's LPG Crisis*, OBSERVER RESEARCH FOUNDATION (June 24, 2025), https://www.orfonline.org/expert-speak/one-narrow-strait-millions-of-cylinders-india-s-lpg-crisis.

of the external conflicts remains wider and prompts larger questions about policymaking and its failure. By continuously treating instability in the Gulf as a temporary disruption rather than a structural risk, India overlooks clear warning signs and has failed accordingly in reducing its dependence on a volatile region, turning foreseeable vulnerabilities into a recurring policy failure.