Impact of War on Export Business

The War Economy: How Wars Reshape Global Trade (India's Perspective)

War today extends beyond battlefields, reshaping global trade, supply chains, and economic alliances. Conflicts such as the Russia–Ukraine war and tensions in the Middle East have disrupted transportation routes, increased commodity prices, and triggered inflation worldwide. These disruptions particularly affect energy, food, and logistics systems.

One major impact is the realignment of energy trade. Sanctions on Russia shifted oil flows, allowing countries like India to import discounted crude and optimize refining and exports. Simultaneously, wars have increased, protectionism, with nations imposing sanctions and trade barriers fragmenting global trade into regional blocs Supply chain instability has also led to the development of alternative trade corridoors.

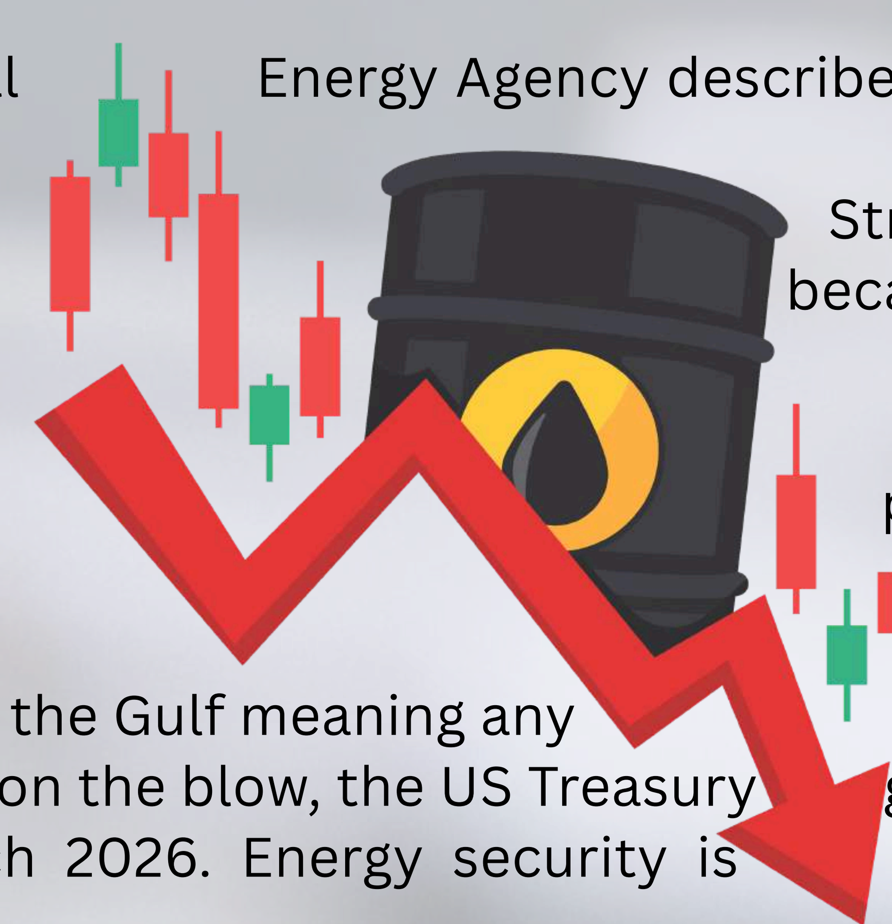
India is leveraging this shift by investing in infrastructure and strengthening its position as a logistics hub. Additionally, rising defence spending globally is driving industrial growth, with India focusing on indigenous manufacturing and exports.

Financial systems are evolving as countries explore alternatives to traditional payment networks, while food security concerns have intensified due to disrupted agricultural exports. Overall, wars create both challenges opportunities. India's balanced and diplomacy, strategic trade decisions, and economic resilience position it as a key player in the emerging multipolar global trade system

Energy Shock & Export Costs Oil prices & their impact

War doesn't just destroy infrastructure it detonates energy markets, and the cost ripples hit every exporter worldwide.

The ongoing Middle East conflict has triggered what the International Energy Agency described as the largest disruption to the global oil market in history. Brent crude surged from $72.48 to $112.57 between late February and late March 2026 a 55% spike in under a month. The Strait of Hormuz, ordinarily a conduit for roughly one-fifth of daily global oil and LNG production, became functionally impaired.



For exporters, this is a cost crisis at every layer manufacturing, freight, cold chain, and logistics all run on energy. Higher energy costs feed directly into production costs for steel, chemicals, and electronics, squeezing margins and weakening export competitiveness.

India's angle: India imports over 80% of its crude oil, nearly half from the Gulf meaning any oil price surge directly raises import bills, pressures the rupee, and stokes inflation. To cushion the blow, the US Treasury granted India a temporary emergency waiver to purchase stranded Russian oil cargoes in March 2026. Energy security is now inseparable from export competitiveness.

Shipping Routes in Crisis When Oceans Become Conflict Zones

Global trade depends on reliable and secure shipping lanes, but during periods of conflict, these routes can quickly turn hazardous. Key chokepoints like the Suez Canal and the Red Sea have recently faced disruptions due to geopolitical tensions and attacks on cargo vessels. As a result, shipping companies are forced to take longer alternative routes, increasing both transit time and costs.

The Russia-Ukraine War serves as a strong example, where disturbances in the Black Sea impacted global grain shipments and drove freight rates upward. At the same time, ongoing instability in the Middle East has led to higher insurance premiums and greater uncertainty in maritime trade.

For Indian exporters, these challenges translate into rising logistics expenses and delayed shipments, which reduce their competitiveness in global markets. Sectors such as textiles, pharmaceuticals, and perishable goods are particularly affected due to their reliance on timely delivery.

These developments emphasize the importance of diversifying trade routes and strengthening logistics capabilities.In today's unpredictable environment, secure and stable shipping routes have become not just operational priorities but strategic necessities.

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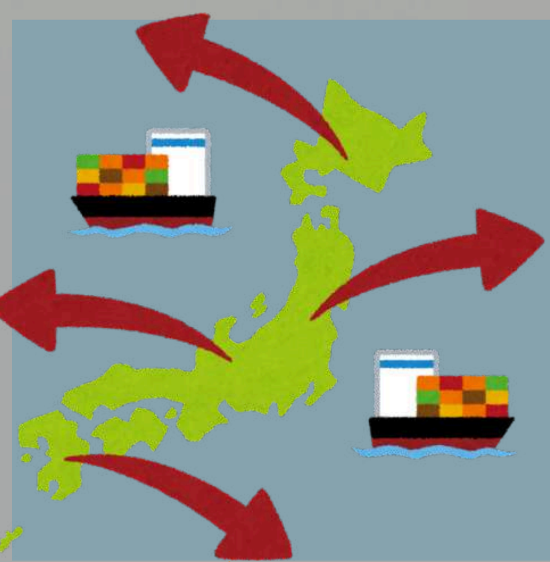


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Special Edition

FOOD &FERTILIZER EXPORTS WHEN WAR HITS THE PLATE

A tiny chemical compound called urea feeds half the world and war has cut off its supply.

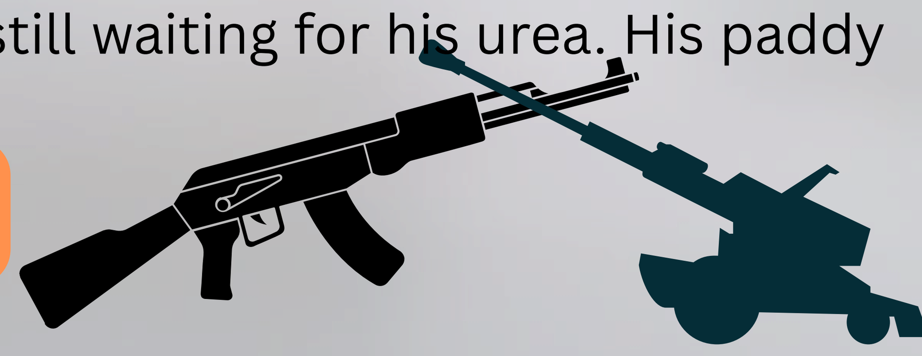
Urea is the world's most widely used fertilizer. Qatar, Saudi Arabia, Iran, Kuwait, and the UAE together export nearly 46% of globally traded urea, all routed through one 33-kilometre chokepoint: the Strait of Hormuz. On February 28, 2026, U.S. and Israeli strikes on Iran caused tanker traffic through the Strait to collapse by over 90% within 72 hours. Global urea prices surged 60%.

The world was already fragile. Russia's 2022 invasion of Ukraine simultaneously disrupted two critical food export systems. Houthi attacks rerouted Red Sea cargo around the Cape of Good Hope, spiking ship insurance premiums from 0.25% to 10% of vessel value a cost passed down to farmers and consumers.

India faces a 10–15% drop in domestic fertilizer production before the Kharif sowing season (CRISIL). Bangladesh shut four of five factories. Brazil, producing 60% of the world's soybeans, saw input costs spiral. China, the largest urea producer, declined to lift its export ban.

The uncomfortable truth: the world eats because of a single industrial process, concentrated in one geopolitically volatile region, routed through one strait a single point of failure at planetary scale. Ravi Shankar in Nalgonda is still waiting for his urea. His paddy cannot wait much longer.

Supply Chain Fragmentation From Just-in-Time to Just-in-Case



Global wars and geopolitical tensions have significantly disrupted traditional supply chains, forcing businesses to rethink their strategies. Earlier, companies followed the just-in-time model, which focused on minimizing inventory and reducing costs by relying on smooth and timely global trade flows. However, war-induced uncertainties such as trade restrictions, sanctions, port closures, and rising transportation costs have exposed the vulnerabilities of this approach.

As a result, firms are shifting towards a just-in-case strategy. This involves maintaining higher inventory levels, diversifying suppliers, and building regional supply networks to reduce dependency on a single country. While this increases operational costs, it enhances resilience and ensures business continuity during crises.

From India's perspective, this shift presents both challenges and opportunities. Indian exporters face higher input costs and delays due to disrupted global logistics. At the same time, India is emerging as an alternative sourcing hub as companies look to reduce reliance on conflict-prone regions. Sectors like pharmaceuticals, textiles, and electronics are witnessing increased global demand.

In conclusion, supply chain fragmentation is redefining global trade dynamics, pushing businesses toward resilience over efficiency, and positioning India as a key player in the evolving export landscape.

Sanctions, Tariffs & Export Controls The New Weapons of War

Gone are the days when power was measured only in missiles. Today, the world's most consequential battles are fought through balance sheets, trade ledgers, and blacklists.

Tariffs, export controls, and sanctions have emerged as the defining instruments of geopolitical pressure reshaping global supply chains, capital flows, and investment strategies in real time.

Coordinated sanctions by the EU, UK, and the U.S. targeting Russia's largest oil producers struck at the core of Moscow's hard currency revenues, while the war in Ukraine dragged on. Meanwhile, the Trump administration enacted sweeping reciprocal tariffs on a significant portion of imports, supplemented by targeted country specific escalations turning trade policy into a geopolitical chess game.

The technology front is equally fierce. Export controls limit transfers of sensitive dual use technologies to protect national security, with semiconductor restrictions on China representing the sharpest edge of this blade.

The global sanctions framework is now broader, more complex, and more dynamic than ever shaped as much by geopolitics as by regulatory frameworks.

For us, tomorrow's finance professionals, understanding these instruments isn't optional it's survival.

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Currency wars & Exchange rate

As of April 15, 2026, the blockade of the Strait of Hormuz has brought global trade to a near standstill and with it, a fresh wave of currency volatility. A strengthening US dollar is crushing emerging market currencies, making exports nominally cheaper while USD- denominated operational costs become unsustainable, a dynamic the IMF's latest report now calls a permanent feature of global commerce rather than a temporary risk. Simultaneously, a second war is playing out in the tech sector, as nations pivot to Sovereign AI to protect their economic data, forcing exporters to navigate conflicting regulatory regimes across the EU and the US. Meanwhile, with oil routes disrupted, the race for critical minerals lithium, cobalt, and rare earths is intensifying, sending prices to record highs. The old Just-in-Time manufacturing model has collapsed, replaced by costly Just-in-Case stockpiling that is inflating global export base prices by an estimated 15–20%, leaving businesses caught between geopolitical uncertainty, technological fragmentation, and an unrelenting climate transition deadline.

India's Strategic Autonomy — The Neutral Profiteer Playbook

When the world catches fire, most countries choose a side. India chose a chair in the middle and quietly ordered discounted oil.

- **Not Taking Sides**

India's foreign policy runs on multi-alignment refusing to be anyone's sidekick. When Russia invaded Ukraine in 2022, the West expected India to condemn Moscow. It didn't. Across 21 UN resolutions, India abstained on all but one. A US senator called it "troubling." India called it sovereignty. The logic was historical: Russia backed India on Kashmir in the 1950s. That's not a relationship you abandon because Washington is unhappy.

- **The Oil Play**

Before the invasion, Russian crude was under 1% of India's imports. By 2023–24, it hit 36% Russia became India's largest supplier overnight. Western sanctions created cheap oil nobody in Europe would publicly touch. India stepped in and saved an estimated $7.9 billion in one year alone. Bilateral trade jumped from $12 billion to $65 billion, with a $100 billion target set for 2030.

- **Playing Both Sides**

The day a Russian missile hit Kyiv's largest children's hospital, Modi was meeting Putin in Moscow. Weeks later, he was in Kyiv with Zelenskyy. Critics called it tone-deaf. Strategists called it masterful. It was neither pro-Russia nor pro-West just pragmatically neutral.

- **The Catch**

In July 2025, the US hit India with a secondary tariff 25% extra, totalling 50% on select exports penalising its Russia trade. Washington accused India of "the Indian arbitrage": refining cheap Russian crude and reselling it for an estimated $16 billion in profits.
India's counter: its purchases stabilised global supply. And the EU quietly imported €4.48 billion of Russian LNG in the same period up 22%.

- **The Verdict**

India played the Ukraine crisis better than almost anyone. But energy dependence, sanctions risk, and reputational costs are real. The question is whether a $5 trillion economy can keep straddling every fence — or will eventually be forced to pick a side.

Not neutral. Not aligned. Just Indian.

Sectors That Win: India's Strategic Export Pivot

Global conflicts in Europe and the Middle East have disrupted traditional supply chains, creating a vacuum that India is aggressively filling. By positioning itself as a reliable, non-aligned manufacturing hub, India has turned geopolitical volatility into economic opportunity.

1. **Defence & Aerospace**
India's defence exports hit a record ₹21,083 crore ($2.63B) in FY24, a 32.5% jump. As Russia's manufacturing capacity remains diverted and Western stockpiles thin, India's BrahMos missiles, Pinaka rockets, and Tejas components have seen surging demand from Southeast Asia, Africa, and the Middle East.

2. **Energy & Refined Petroleum**
With European markets pivoting away from Russian crude, India has emerged as a global "refining hub." By importing discounted Russian feedstock and exporting high-value refined petroleum products to the EU, India's petroleum exports now account for over 20% of its total export basket.

3. **Agri-Commodities & Food Security**
The conflict in the Black Sea "breadbasket" has threatened global food security. India has stepped in to bridge the gap in wheat and rice supply to West Asia and North Africa. Furthermore, the Global Biofuels Alliance led by India is positioning the country as an alternative energy exporter through ethanol and green hydrogen initiatives. Strategic Outlook: India's export resilience is driven by the "China Plus One" sentiment and a 6.1% growth in manufacturing, ensuring long-term gains beyond immediate conflict cycles.`

The Road Ahead - Deglobalisation or Reglobalisation? India 2030

Deglobalisation: Pulling Back, but Not Closing Doors

By 2030, deglobalisation may feel less like a dramatic shift and more like a cautious correction. Over the past few years, the world has learned the hard way that being too dependent on global supply chains can be risky. From pandemics to political tensions, disruptions have made countries including India pause and rethink how much they rely on others.
For India, this shift can be empowering. Focusing more on domestic industries could mean stronger local manufacturing, more jobs, and greater control over critical sectors like electronics and defense. The push for "self-reliance" is not just a slogan it reflects a deeper desire to build stability from within.
But stepping back from globalisation is not a simple fix. If India turns too inward, it risks missing recent technologies, global markets, and innovation that often come from international collaboration. The challenge is balance. Deglobalisation, in India's case, may not mean isolation it may simply mean being more selective, choosing partnerships wisely while strengthening its own foundation.

Reglobalisation: A New Global Game with India in Play

Instead of turning away from the world, the future might be about reconnecting—but in a smarter, more balanced way. This idea of "reglobalisation" is less about going back to the old system and more about reshaping it. And India could play a much bigger role this time.
With its growing economy, young workforce, and rapid digital expansion, India is in a strong position to become a key player in global networks. Companies around the world are already looking for alternatives to traditional manufacturing hubs, and India is stepping into that space. At the same time, its leadership in digital systems and renewable energy gives it an edge in shaping the future.
Still, potential alone is not enough. To truly lead, India will need to keep improving infrastructure, simplify business processes, and ensure stable policies. If it gets this right, India will not just be part of globalisation—it could help redefine it. By 2030, the story may not be deglobalisation versus globalisation, but how India blends into something new.