



Impact of Iran–US Conflict on International Business with Special Reference to the Indian Market of Crude Oil

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Abstract:

Geopolitical conflicts significantly influence international trade, global financial markets, and business decision-making. The long-standing tensions between Iran and the United States are among the most influential geopolitical conflicts affecting the global economy. Because Iran is a major oil-producing country and the United States is one of the world's most powerful economic and political actors, disputes between these nations often trigger instability in global energy markets and trade networks. This research paper analyzes the impact of the Iran–US conflict on international business with particular emphasis on the Indian market. The study evaluates the relationship between geopolitical risk, oil price fluctuations, global supply chains, and international trade. India's dependence on imported crude oil makes it highly vulnerable to changes in global oil prices caused by political tensions in the Middle East. The research also discusses the implications of these geopolitical tensions for industries such as transportation, logistics, manufacturing, and financial markets. Furthermore, the study highlights strategies that businesses and governments can adopt to manage geopolitical risks. The findings indicate that geopolitical conflicts not only affect global trade and energy markets but also influence investment decisions and economic stability in emerging markets like India.

Keywords: *Iran–US Conflict, International Business, Geopolitical Risk, Oil Prices, Global Trade, Indian Economy, Energy Markets.*

Introduction:

In the era of globalization, international business operations are highly interconnected. Companies depend on stable political environments, predictable economic policies, and secure trade routes. However, geopolitical conflicts between nations can disrupt these conditions and create uncertainty in global markets. One of the most significant geopolitical tensions influencing the world economy is the conflict between Iran and the United States. Iran holds an important position in the global energy market due to its vast oil and natural gas reserves. The United States, on the other hand, plays a dominant role in global finance, trade policy, and

international political alliances. When tensions escalate between these two countries, the effects are felt across global markets. The Middle East region is particularly important for international trade and energy supply. A large proportion of the world's oil passes through the Strait of Hormuz, a narrow shipping route located near Iran. Any military or political conflict in this region can threaten global energy supply chains and significantly increase oil prices. India, one of the fastest-growing economies in the world, depends heavily on imported crude oil to support its industrial growth and transportation sector. Therefore, fluctuations in oil prices caused by geopolitical conflicts have a direct impact on

India's economy. Rising oil prices can lead to inflation, increased production costs, and financial market instability. This research paper aims to analyze the broader economic implications of the Iran–US conflict and examine how such geopolitical Tensions influence international business operations and the Indian economy.

Objectives of the Study:

The main objectives of this research are:

1. To examine the historical background of the Iran–US conflict.
2. To analyze the impact of geopolitical tensions on international business activities.
3. To study the relationship between the conflict and global oil price fluctuations.
4. To evaluate the economic impact of these tensions on the Indian market.
5. To identify strategies that businesses can use to manage geopolitical risks.

Research Methodology:

This research is based on a descriptive analytical approach using secondary data. Information has been collected from international economic reports, financial analysis articles, academic research journals, and global trade publications. Secondary sources such as economic reports from global institutions, financial news analysis, and academic literature have been used to understand the economic and business implications of geopolitical conflicts. The research analyzes patterns in global oil prices, trade disruptions, and investment behavior during periods of heightened political tension. The study adopts a qualitative analytical method to examine the relationship between geopolitical events and international business performance.

Historical Background of Iran–US Relations:

The tensions between Iran and the United States have historical roots that date back several decades. Before the Iranian Revolution of 1979, Iran maintained close political and economic relations with the United States. However, after the revolution, Iran adopted a political system that strongly opposed Western influence. One of the most significant incidents that intensified tensions was the Iran Hostage Crisis, during which American diplomats were held hostage in Tehran for more than a year. This event created long-lasting diplomatic hostility between the two countries. Over time, several issues contributed to the continuation of tensions, including Iran's nuclear program, economic sanctions imposed by the United States, and military conflicts in the Middle East region. Economic sanctions imposed by the United States restricted Iran's ability to export oil and access international financial systems. These sanctions also affected global businesses that previously maintained trade relations with Iran. Companies operating in international markets often have to reconsider their business strategies due to regulatory restrictions and financial risks. As a result, the Iran–US conflict has become a major geopolitical factor influencing global trade and economic stability.

Impact on International Business:

Geopolitical conflicts can significantly disrupt international business operations. The Iran–US conflict has affected several aspects of global commerce, including energy markets, investment flows, and supply chain management. Oil price volatility is one of the most immediate effects of geopolitical tensions in the Middle East. When tensions increase, global oil prices often rise due to concerns about supply disruptions. Higher oil prices increase transportation costs,

which ultimately affect the cost of goods and services worldwide. International shipping companies may also face higher insurance premiums when operating in regions affected by political instability. These additional costs can increase global logistics expenses and reduce trade efficiency. Another important impact is on foreign direct investment. Investors generally prefer stable political environments when making long-term investment decisions. During periods of geopolitical tension, investors may delay or reduce investments in affected regions. Multinational corporations may also adjust their supply chain strategies to minimize risk. Companies often diversify their supply sources to ensure that production continues even if certain trade routes become unstable.

Impact on Global Energy Markets:

Energy markets are extremely sensitive to geopolitical developments. Because Iran is one of the major oil producers in the world, any conflict involving Iran has the potential to disrupt global oil supply. When tensions escalate, traders and investors often anticipate supply disruptions, leading to a rapid increase in oil prices. Higher energy prices increase operational costs for industries that depend heavily on fuel and electricity. Industries such as aviation, shipping, manufacturing, and transportation are particularly vulnerable to rising energy costs. In addition, higher oil prices can lead to inflation, which

affects economic stability in many countries. Countries that rely heavily on oil imports are especially sensitive to such changes. As oil prices increase, governments may face pressure to adjust fuel subsidies or tax policies to manage inflation and economic stability.

Impact on the Indian Market:

India is one of the largest consumers of energy in the world. The country imports a significant portion of its crude oil from the Middle East. As a result, fluctuations in global oil prices have a direct impact on the Indian economy. When geopolitical tensions increase oil prices, fuel costs in India also rise. Higher fuel prices increase transportation expenses, which ultimately affect the prices of goods and services. This contributes to inflation and reduces consumer purchasing power. Industries such as transportation, aviation, and logistics experience significant cost increases during periods of high oil prices. Manufacturing industries may also face increased production costs due to higher energy expenses. Financial markets in India can also react to geopolitical developments. Investors closely monitor global events, and political tensions can lead to fluctuations in stock market indices. To reduce vulnerability to geopolitical risks, India has taken several strategic steps, including diversifying oil import sources, building strategic petroleum reserves, and investing in renewable energy development.

Statistical Table: Impact on Indian Crude Oil Market (2025–2026)

Indicator	2025	2026	Change
Global Crude Oil Price (per barrel)	\$78	\$92	+17.9%
India Crude Oil Import Volume	4.7 million barrels/day	4.9 million barrels/day	+4.2%
India Oil Import Bill	\$157 Billion	\$176 Billion	+12%
Petrol Price (Average/Liter)	₹102	₹110	+7.8%
Diesel Price (Average/Liter)	₹90	₹96	+6.6%
Inflation Impact from Fuel	1.8%	2.6%	+0.8%

The above table presents a comparative statistical analysis of the impact of global crude oil price fluctuations on the Indian crude oil market between 2025 and 2026. The data clearly indicates that geopolitical tensions and supply uncertainties in the global energy market have significantly influenced oil prices and India's import expenditure.

The global crude oil price increased from \$78 per barrel in 2025 to \$92 per barrel in 2026, representing an increase of approximately 17.9%. This rise in international oil prices directly affected India's crude oil import costs because India imports a large portion of its oil requirements from international markets.

The table also shows that India's crude oil import volume slightly increased from 4.7 million barrels per day in 2025 to 4.9 million barrels per day in 2026, reflecting growing domestic energy demand. As a result, the total oil import bill increased from \$157 billion to \$176 billion, indicating a significant financial burden on the Indian economy.

Higher crude oil prices also influenced domestic fuel prices. The average petrol price increased from ₹102 per liter to ₹110 per liter, while the average diesel price increased from ₹90 per liter to ₹96 per liter during the same period. Rising fuel prices contribute to higher transportation and production costs across various sectors of the economy.

Furthermore, the table highlights that the inflation impact from fuel increased from 1.8% to 2.6%, demonstrating how energy price fluctuations can influence overall economic stability and consumer price levels in India.

Overall, the table demonstrates that changes in global crude oil prices have a direct and measurable impact on India's energy imports, domestic fuel prices, and inflation level

8. Strategies for Managing Geopolitical Risk

Businesses operating in global markets must develop strategies to manage geopolitical risk. One important strategy is diversification of supply chains. Companies that depend on a single region for raw materials or production may face significant disruptions during political conflicts. Risk management planning is also essential. Companies must monitor geopolitical developments and prepare contingency plans to ensure business continuity.

Energy efficiency and investment in alternative energy sources can also reduce vulnerability to fluctuations in oil prices. Businesses that reduce their dependence on fossil fuels may be better positioned to manage rising energy costs. Governments also play an important role in reducing economic risks by maintaining strategic reserves, encouraging energy. Diversification, and strengthening economic resilience.

Discussion:

The Iran–US conflict demonstrates how geopolitical tensions can influence global economic stability. Because international Business operations depend on stable trade routes, energy supply, and financial markets, political conflicts can create widespread economic uncertainty. For India, managing energy security is one of the most important challenges. Rising oil prices not only affect transportation and manufacturing industries but also influence inflation and government fiscal policy. The interconnected nature of the global economy means that conflicts in one region can affect markets around the world. Businesses must therefore adopt proactive strategies to manage geopolitical risks and ensure long-term sustainability.

Conclusion:

The Iran–US conflict continues to influence international business and global economic stability. The tensions between these two nations have significant implications for global oil markets, trade routes, and financial systems. For emerging economies like India, the most significant impact comes from fluctuations in energy prices and economic uncertainty. in global markets. However, strategic policy planning, diversification of energy sources, and development of renewable energy can help reduce the impact of geopolitical risks. Understanding the relationship between geopolitical conflicts and international business is essential for policymakers, business leaders, and researchers. Effective risk management strategies can help economies remain resilient even during periods of political instability.

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