

India's rice trade at risk in Red Sea attacks

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March 13, 2024

India's famed basmati rice variety is among the commodities hit by supply chain disruption caused by the Houthi attacks on the Red Sea.

India's basmati exports are significantly affected by disruptions in the Red Sea. : User sum overseas, Wikimedia Commons CC BY 4.0

Authors **Tridivesh Singh Maini**

O.P. Jindal Global University

Editors **Chandan Nandy**

DOI 10.54377/61b4-5924

India's lucrative rice trade is at risk after repeated attacks on its ships on the Red Sea. Since mid-November 2023, Iran-backed Houthi rebels have been striking cargo vessels — even some bound for Iran — as part of a wider strategy to disrupt global supply chains.

New Delhi is worried its exports of basmati rice, worth USD\$3.97 billion in export earnings (for the period April-December 2023), could be hit. On an official visit to Tehran in November 2023, Indian External Affairs Minister S Jaishankar told his Iranian counterpart the attacks were "...a matter of great concern to the international community" and "obviously, it also has a direct bearing on India's energy and economic interests."

Jaishankar added that "this fraught situation is not to the benefit of any party and this must be clearly recognised". The joint statement by Jaishankar and Iranian Foreign Minister Amir-Abdollahian viewed the Houthi attacks as a "perceptible increase in threats to the safety of maritime commercial traffic in this important part of the Indian Ocean".

The Houthis' unexpected strikes against Indian shipping on the Red Sea figured high during Prime Minister Narendra Modi's February 13 deliberations with United Arab Emirates President Sheikh Mohammad bin Zayed Al Nahyan. This happened against the backdrop of the wider geopolitical situation in West Asia.

The Yemen-based Houthis attacks on Red Sea shipping have not only had a significant impact on global trade and oil prices, but also in geopolitics. The US and India took little time to respond, throwing in their navy resources to protect shipping lanes and ensure commercial vessels remained safe against the backdrop of the larger Israel-Hamas conflict.

The Houthis claimed that the attacks constituted 'retribution' for Israel's disproportionate military response to the October 7 Hamas attacks, especially on Gaza.

The Red Sea is an important lifeline for the global supply chain and international trade. It connects to the Mediterranean via the Suez Canal, which accounted for an estimated 10-15 percent of global trade in 2023, including oil exports, according to UNCTAD estimates. An estimated 25-30 percent of global container shipping volumes also pass through the Suez.

India's blue water capabilities have grown remarkably – demonstrated by the Indian Navy's swift action against Somalian pirates between 2010 and 2024. New Delhi has sought to play a more active oceanic role that is oriented towards protecting its shipping and supply chain interests.

Like all major regional economies, India has not been immune to the financial effects of the Houthi attacks, especially in a climate of steadily rising shipping costs.

Freight costs from Shanghai to Chennai rose by 144 percent between November 2023 and January 2024. Freight costs from India to the US and Europe rose 40-50 percent in some sectors, such as pharmaceuticals and cars, between September 2023 and January 2024.

India's basmati exports are significantly affected as over one-third of production is shipped to West Asia, Europe, North Africa and North America via the Red Sea.

These regions account for 50 percent of India's overall exports. The alternate route via the Cape of Good Hope has consequently raised shipping costs.

Just over a month after the Houthi attacks began, there were fears that basmati export prices could rise by as much as 20 percent. While the Indian government did not expect basmati demand to be affected, officials cautioned that prolonged disturbance on the Red Sea could cause a further increase in prices.

Even as all eyes are on rising oil and basmati prices, disruptions to other areas — such as tea, spices, fruits and buffalo meat — are hitting exporters' bottom lines. Likewise, there are reports of delays in imports of fertilisers, sunflower oil, machinery parts and electronic goods to India. This in turn raises the risk of hitting consumers' pockets.

India's concern over disruption in the global supply chain must be understood in the context of the overall international economic impact.