



## INDIA'S RESPONSE TO REGIONAL REALIGNMENTS: NAVIGATING TIES WITH SAUDI ARABIA AND IRAN

by

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India's engagement in the Middle East has often been characterized by a balancing act, navigating complex regional dynamics while pursuing its strategic, economic, and security interests. India in recent years has expanded its cooperation with Saudi Arabia and other Gulf countries while exercising a cautious approach towards Iran. Prime Minister Narendra Modi's recent [visit](#) to Jeddah, which resulted in the signing of several key agreements, underscores the deepening strategic and economic convergence between India and Saudi Arabia.

In contrast, India's relations with Iran continue to face challenges, especially after the return of Donald Trump in the U.S. As external pressures intensify, India's Middle East policy largely reflects continuity, with adjustments made to align with changing regional geopolitics while managing old faultlines.

### Modi's Recent Visit to Jeddah and Growing India-Saudi Relations

During Prime Minister Modi's recent visit to Saudi Arabia, the two countries agreed to deepen their partnership by [signing](#) Memorandums of Understanding (MoUs) across key sectors including artificial intelligence, cybersecurity, space, healthcare, and semiconductors, while also enhancing cooperation in areas such as digital governance. Many of these sectors had already been identified as strategic priorities in earlier discussions. During the recent visit, Prime Minister Modi and Crown Prince Mohammed bin Salman co-chaired the second India-Saudi Arabia Strategic Partnership Council and announced new ministerial committees on defense cooperation, and tourism and cultural cooperation.

India features prominently across several initiatives under [Saudi Arabia's Vision 2030](#), particularly in sectors like space, technology, AI, and renewable

energy, and both countries in recent years have expanded their investments and strategic collaboration in these domains. This alignment reflects the kingdom's broader goal of diversifying its economy and strengthening its technological and scientific collaboration with Asian powers. The bilateral trade between India and Saudi Arabia also has grown steadily in the last decade. Saudi Arabia is one of India's largest trading partners, while India ranks as Saudi Arabia's second-largest trading partner. During [2023-24](#), India's imports from Saudi Arabia touched USD 31.42 billion, and exports were valued at USD 11.56 billion.

In the light of recent developments and the shifting regional balance of power, Saudi Arabia has emerged as the most influential geopolitical player in the Middle East. Countries like Lebanon, Iraq, and Syria—where Iran over the past two decades had entrenched itself deeply in political and security structures—are now seeking stronger economic engagement with Saudi Arabia.

Recognizing the kingdom's increasingly central role, India is likely to further enhance its ties with Saudi Arabia. Moreover, both nations share strategic concerns, including maritime security, energy security, and the stability of critical sea lanes in the Red Sea and beyond, amid heightened tensions between the U.S. and Iran-backed Houthi forces. Connectivity projects like the India-Middle East-Europe Economic Corridor (IMEC) are also expected to gain renewed momentum, particularly as both countries acknowledge its significance for U.S. President Donald Trump, who is likely to prioritize them as part of building on his achievements during his first term.

### Lingering Constraints in India-Iran Relations

India's relations with Iran continue to be constrained by external factors. After Donald Trump's return to power, the U.S. has [resumed](#) its "maximum pressure" policy on Iran, imposing sanctions on entities facilitating the sale of Iranian oil, including Indian companies. In February 2025, the U.S. [sanctioned](#) four Indian firms accused of assisting in the transport of Iranian oil via ship-to-ship transfers. Recently,



sanctions were also [imposed](#) on a UAE-based Indian national and two Indian firms allegedly aiding Iran's covert oil network.

The Chabahar Port remains India's primary interest in Iran, a strategic asset that New Delhi hopes to develop further, particularly through the International North-South Transport Corridor (INSTC). However, the Trump administration's push to [revoke](#) India's sanctions waiver for Chabahar threatens to derail New Delhi's connectivity plans, undermining its strategic position in the region and complicating its long-sought direct access to Central Asia. India is also unlikely to prioritize expanding its energy ties with Iran in the current circumstances.

Given Trump's repeated calls to reduce the trade deficit, India has taken steps like lowering tariffs on select American goods and increasing American imports. Two sectors that are being prioritized to boost U.S. imports are energy and defense. In this context, India has already increased its [energy imports](#) from the U.S. As a result, energy trade with Iran appears increasingly untenable for New Delhi—not just because of the risk of U.S. sanctions, but also due to the potential complications such trade would introduce in India's efforts to deepen energy cooperation with the U.S.

In January 2025, India reported a trade surplus of USD 11.6 million with Iran, with exports worth USD 64.8 million and imports worth USD 53.2 million. This marks a significant drop in India's exports to Iran, which [decreased](#) by nearly 56 percent compared to January 2024. During the Joint Comprehensive Plan of Action (JCPOA) period (2015–2018), when the U.S. had lifted sanctions on Iran, the country's share in India's total crude oil imports rose significantly, peaking at around 11 percent in 2016 and bilateral trade also witnessed substantial growth, with increased Indian exports of pharmaceuticals, rice, and other commodities. However, it dropped significantly by 2018 due to the re-imposition of U.S. sanctions. The tightening of U.S. sanctions and related financial restrictions have always made it increasingly difficult for India to maintain trade with Iran at

previous levels. For instance, one of India's leading exports to Iran has been basmati rice. However, following Trump's return to power, logistical and shipping disruptions—exacerbated by renewed sanctions have significantly curtailed overall trade between the two countries, including [rice exports](#). Despite these challenges, New Delhi is expected to continue engaging with Iran on issues such as maritime security, particularly through multilateral platforms like the Indian Ocean Rim Association (IORA).

Additionally, India and Iran may also engage in sector-specific cooperation as evident from the recent meeting between Iran's Agriculture Minister and his Indian counterpart in Brasília, where they [discussed](#) enhancing collaboration in food security, biotechnology, and agricultural research under the Iran-India Joint Agricultural Committee.

### China's Growing Role in the Middle East

China's expanding diplomatic and economic influence in the Middle East has significant impact on the region as well as implications for India. The [Iran-Saudi Arabia rapprochement](#), mediated by China, and the [Hamas-Fatah unity deal](#) of 2024 are prime examples of how China is positioning itself as a key player in regional diplomacy. These developments underscore Beijing's growing role in shaping the Middle East's geopolitical landscape, which India will have to navigate carefully, especially as regional powers in the Middle East continue to expand and diversify their engagement with China as a counterbalance to the U.S. Unlike India, China has maintained and even expanded its cooperation with Iran despite the U.S. pressure, positioning itself as a more reliable partner in Tehran's eyes.

Moreover, countries like Saudi Arabia and the UAE in recent years have engaged with all global powers to enhance their strategic autonomy which has been an essential factor in their long-term ambitions. As India seeks to balance its ties in the Middle East, the influence of China in the broader regional dynamics cannot be overlooked. India will have to adjust its policies to this emerging geopolitical order, especially

as China's growing influence is reshaping the strategic outlook of key regional players in the Middle East.

### Opportunities and Challenges in a Shifting Regional Landscape

One of the most important developments that has accelerated regional shifts is the Gaza war. Both Iran and Saudi Arabia have shared humanitarian concerns and expressed a sense of urgency in addressing the crisis, emphasizing the need for a unified regional response to the escalating violence. This, to a large extent, has catered to Iran-Saudi engagement and has prompted regional powers to reflect on their positions and reconsider their strategies, especially as both Riyadh and Tehran have disagreements with the nature of U.S. support to Israel.

Iran is now recalibrating its regional posture by deepening ties with Gulf countries—a shift that could, in the coming years, create a more favorable environment for India's balanced engagement across the region. Recent [efforts](#) by Riyadh and Tehran to strengthen bilateral ties reflect a shared aim to ease tensions and safeguard against the unpredictability of foreign policy changes, particularly those driven by the Trump administration. For India, the ideal scenario would be to engage constructively with both Saudi Arabia and Iran. The extent of India's flexibility in the Middle East depends not only on the U.S.

approach to Iran but also on Iran's regional behavior, which in turn influences the security guarantees of Gulf powers.

In the coming months, India will gauge the outcome of the [nuclear negotiations](#), before making any substantive moves to deepen ties with Tehran that could potentially raise concerns for the U.S. For now, New Delhi is likely to deepen its engagement with Saudi Arabia and other Gulf partners, leveraging shared concerns over maritime security and regional stability. While India's approach toward Iran will remain cautious due to renewed external pressures, Tehran is no longer as isolated as in previous years. Its growing rapprochement with Saudi Arabia and the [Arab world](#) opens new avenues for regional diplomacy—creating potential space for India to recalibrate its engagement with Iran within a broader Gulf framework. However, the extent to which this recalibration is feasible and the scope of it remains uncertain.

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