

Economic Consequences Of A Hypothetical India-Pakistan War: A Strategic Assessment

Dr A Sunitha

Telangana Social Welfare Residential Degree College For Women, Khammam

Abstract:

This paper explores the potential economic consequences of a hypothetical full-scale war between India and Pakistan. Drawing from historical tensions, current economic vulnerabilities, global interconnectedness, the study outlines the short- and long-term economic risks both nations would face, including inflation, currency depreciation, trade disruptions, and humanitarian crises. The findings highlight the urgent need for diplomatic engagement and peace-building strategies in South Asia.

Date of Submission: 04-05-2025

Date of Acceptance: 14-05-2025

I. Introduction:

India and Pakistan have shared a volatile relationship since their partition in 1947. While previous conflicts have been limited in scope, a full-scale war would likely create not only humanitarian disasters but also long-lasting economic shocks. This paper assesses those risks from a macroeconomic perspective.

II. Immediate Economic Impact:

War typically leads to rapid market reactions. A conflict between India and Pakistan would result in:

- Capital flight and falling investor confidence
- Currency depreciation of INR and PKR
- Disruptions to trade, particularly in agriculture, textiles, and pharmaceuticals
- Shutdown of tourism and commercial aviation.

III. Rising Defense Expenditure:

A major consequence would be a shift in budget priorities. Both countries already allocate significant resources to defense. A war would intensify this:

- Education and healthcare budgets would be cut
- Public borrowing could increase, leading to higher national debt
- Price hikes in war-essential goods and imported military equipment.

IV. Energy And Infrastructure Stress:

Given heavy reliance on imported fuel:

- Disruptions in oil transport would raise fuel prices
- Border infrastructure, railways, and power plants could be targeted
- Load-shedding and industrial shutdowns might follow.

V. Impact On Investment And Trade:

A war zone discourages all forms of investment:

- FDI and foreign portfolio investments would decline sharply
- International businesses might pull out of both countries
- Regional trade blocs and global partners may impose restrictions.

VI. Humanitarian And Social Costs With Economic Implications:

The war would likely lead to:

- Mass displacement along the borders
- Collapse of local economies in war-affected areas
- Refugee crises and increased poverty rates

These factors would strain public finances and humanitarian aid systems.

VII. Global And Regional Economic Fallout:

Due to India's global economic links and Pakistan's strategic location:

- Supply chains, especially in tech and pharmaceuticals, would be disrupted
- Regional trade (e.g., with Afghanistan, Central Asia) would suffer
- Rising risk of global conflict escalation may drive oil prices globally.

VIII. Conclusion:

The economic cost of war between India and Pakistan would be devastating. Beyond the battlefield, both nations risk long-term setbacks in development, investment, and human capital. It is critical for policymakers to focus on conflict prevention and sustained diplomacy to ensure regional stability and economic prosperity.

References:

- [1] World Bank Reports
- [2] Imf Regional Outlook: Asia And Pacific
- [3] Indian Ministry Of Finance Annual Review
- [4] Pakistan Economic Survey
- [5] Sipri Military Expenditure Database