RIPPLLE EFFECTS OF WAR ON INDIAN ECONOMY

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Introduction

Sitting in the heart of Delhi, a grandfather with his grandson, starts unfolding stories from his youth. "When I was your age," he said, "India was still healing from a war we never fought, but felt it's effects in every other corner of our lives." His grandson looked up, curious. "It was the Gulf War of 1991," he goes on, "So far away, yet it hit us harder than we thought it would. The oil prices shot up, the rupee weakened, and families like ours felt the pinch in every meal we shared, every candle we lit when the power went out." The boy's eyes grow wide. "How can a war thousands of miles away hurt us?" he asks innocently. The old man smiles. He opens his eyes heavy with wisdom. "Because, my child, war is like a stone thrown into water. The splash may be far, but the ripples spread everywhere," he says.

War is indeed the epitome of destruction, just as the grandfather explained to his grandson. It is a force that sweeps through communities, leaving behind poverty, crime, and innocent lives in ruins. It ignites social unrest and fuels food crises, threatening entire populations with joblessness and casting them into the abyss.

When the grandfather spoke about the Gulf War and its widespread ripples, he so vividly illustrated a truth that resonates right through history: the ripples of war touch every corner of life. Every household is affected with soaring prices, anxiety over uncertainty, and general instability. It disrupts the stability of economies, throwing livelihoods into chaos. Just as the grandfather's family struggled to make ends meet during the inflation that followed the conflict, countless others face similar challenges.

In today's highly integrated global economy, no country is immune to the fallout of war. The destructive impact of war reaches far beyond the borders of the warring nations. Even nonwarring nations can suffer greatly economically due to spillover effects such as scarcity and increased prices of oil, gas, and staple goods. These factors raise production, transportation, and overall costs associated with goods. Energy crises, supply chain disruptions, and market instability among consumers and industries worldwide exacerbate these issues. Conflicts generate uncertainties that lead to reactions in financial markets, affecting currency values, stock prices, and investment flows. Additionally, sanctions imposed on economies and changes to world trade routes increase inflationary pressures, making the economic landscape even more uncertain for states far removed from the battlefield.

History

Vedic Period (1500–500 BCE) The Vedic period wars were essentially inter-tribal and inter-clan wars, sometimes over territory, cattle, or resources. The oldest of the Vedas, the Rigveda, contains hymns referring to conflicts and battles between other tribes-the Aryans and the Dasyus or other nonAryans.

Notable among the wars which the Rigveda narrates are the Battle of Ten Kings (Dasarajna) between the ruler King Sudas from Bharata tribe and a confederation of ten other tribes. With the help of his priest, Vasishtha, Sudas defeated the confederacy of the tribes, which included the Puru, Yadu, Turvasha, etc. This battle is one of the earliest and most welldocumented examples of large-scale warfare in Indian history.

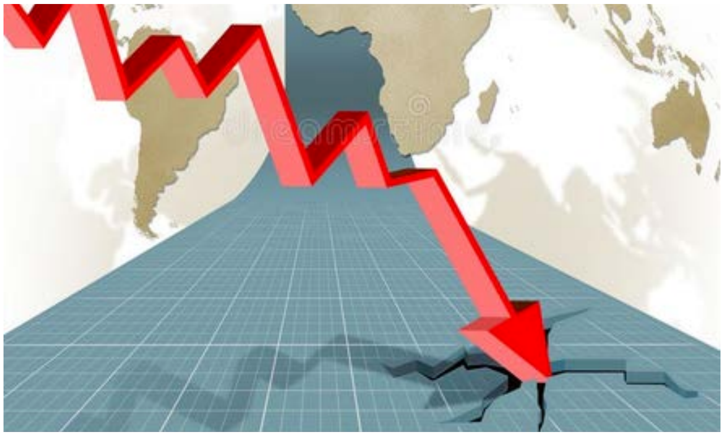
This warfare impacted trade by disrupting routes and altering economic exchanges. The Kshatriya warrior class, which was responsible for protecting the tribe and leading military campaigns, required resources, leading to increased taxation on agrarian communities.

Maurya and Gupta Empires (322 BCE – 550 CE)

The Maurya Empire featured a centralized economy and extensive trade networks, with agriculture as its backbone. Military campaigns, particularly under Ashoka, facilitated territorial expansion and resource acquisition, though they also strained local economies.

The most renowned war fought by the Mauryan Empire was that of Kalinga under Emperor Ashoka. Kalinga was one of the rich and free kingdoms along the Indian eastern coast, now Odisha, that resisted Mauryan control. After the war, Ashoka adopted a policy of nonviolence, promoting trade and welfare, which helped unify diverse regions into a cohesive economic framework. He renounced further military conquests and spread Buddhist principles across India and beyond, marking a shift from militarism to diplomacy and moral governance.

Chandragupta-I laid the foundation of the Gupta Empire. Samudragupta, Chandragupta-I's son, was one of the greatest military conquerors in Indian history. His reign was characterized by vast military campaigns across India. Samudragupta followed a "digvijaya" (conquest in all directions), conquering nearly all northern India and parts of the Deccan Plateau. He was followed by Chandragupta II or Vikramaditya who carried the empire further west. His largest military success was against the Shakas in Gujarat and Malwa, which led to annexation of those rich provinces into the Gupta Empire.



Medieval Period (600–1700 CE)

The rise and fall of various empires during this period led to significant economic transformations influenced by warfare. The Chola, Mughal, and Vijayanagara empires exemplified the interplay between military conquest and economic prosperity. While military campaigns expanded territorial control and integrated regions into trade networks, prolonged conflicts often disrupted agricultural production and local economies. The Mughal Empire, in particular, facilitated extensive trade by promoting a unified market, though heavy taxation to fund military endeavors was common. Overall, the medieval period showcased a dynamic relationship between warfare and economic structures, with both thriving and suffering due to conflict.

Colonial Era (1757–1947)

The colonial period had profound implications for the Indian economy, marked by conflicts such as the Anglo-Mysore Wars and the Anglo-Sikh Wars. These wars facilitated British expansion into Indian territories, disrupting traditional trade patterns and exploiting local resources. Infrastructure like railways and telecommunication systems, primarily aimed at resource extraction and military mobilization, significantly altered the economic landscape. British economic policies, including high taxes and monopolistic practices, led to widespread poverty and famine, such as the Bengal Famine of 1943, which resulted in millions of deaths and illustrated the devastating impact of colonial warfare on the Indian populace.

Post-Independence Era (1947–Present)

During the cold days of 1971, the small town of Barmer in Rajasthan sat eerily close to the edge of chaos. Ratan, a humble weaver, stood erect at his loom with eyes fastened intently on the rhythmic clatter of the wooden shuttle moving through the threads. He tried to pay attention to the tempo and pattern of the rhythm but his mind drifted to the faint rumble of weapons at a distance. It was nearing his doorstep; the war between India and Pakistan had unravelled the life that he had known.

A few months ago, everything was just simple for Ratan: weaving delicate fabrics for trade, steady sales at the market, the calm assurance of peace. All this started changing with the deepening conflict. The markets were emptier, his supplies were more expensive, and his customers—many of whom were themselves feeling the pinch of rising prices—were buying less. Rumours swirled that oil prices would skyrocket, that food supplies were being diverted to the military, and that inflation was creeping into every aspect of life. His brother, Rajesh, was in the military. The war, after all, wasn't simply about borders or politics; it was about fighting for the survival of the nation, fighting for a future. And they knew each battle that pitched on frontlines had consequences that rippled into the very fabric of their existence, tugging at threads they had so simplistically thought to be secure. By the end of the war, India had emerged victorious in history books, but at great costs. Defence expenses weighed heavily on the economy, and inflation accelerated; ordinary people like Ratan fought an increasingly desperate battle to survive financially. His brother returned, but not all families were so fortunate. The war was over, but the aftershocks would be felt for years.

Indeed, the Indo-Pakistan War of 1971 could well be described as a national economic shaker. Ratan's story, therefore, reminds us that a war is never a battle confined to the battlefield alone; it reaches into the homes, the markets, and the lives of ordinary folks who have to endure the gale long after the guns have fallen silent.

Just like the Indo-Pakistan wars of 1947, 1965, 1971 and 1999, since independence, India has experienced several conflicts, notably the Sino-Indian war of 1962. These conflicts required substantial increases in defence spending, diverting resources away from social and economic development. The wars also impacted trade relationships with neighbouring countries, particularly Pakistan, leading to a more inward-looking economic policy during the initial decades of post-independence India.

Israel-Hamas Conflict (1987–Present)

Hamas started as an offshoot of the Muslim Brotherhood in 1987. Its name means Islamic Resistance Movement. It is opposed to the existence of Israel on what it says is Palestinian land. It wants a state based on Islam in its place and across the occupied West Bank, East Jerusalem and Gaza.

Hamas's purpose was to engage in violence against Israelis as a means of restoring Palestinian backing for the Brotherhood, which was losing political support to Palestinian Islamic Jihad (PIJ), a Gaza-based, Iran-sponsored organization that had begun pursuing terrorist operations against Israel.

Recently, the Israel-Hamas conflict has posed risks to the safety of maritime commercial traffic in the Indian Ocean, directly affecting India's energy and economic interests. India imports nearly 87.7% of its crude oil, and disruptions to maritime routes, particularly near chokepoints like the Strait of Hormuz, could severely impact its energy security. Escalation of the conflict could lead to heightened delays in crude oil transportation or blockages, potentially driving up fuel prices. Global powers are being urged to mediate and stabilize the region to protect trade and energy markets. A prolonged conflict could lead to global energy price volatility, inflationary pressures, and financial instability, affecting not just India but also its global trading partners. India faces the challenge of managing its diplomatic relations while safeguarding its economic interests amid the ongoing conflict.

Russia-Ukraine War (2014–Present)

Armed conflict in eastern Ukraine erupted in early 2014 following Russia's annexation of Crimea. The previous year, protests in Ukraine's capital, Kyiv, against Ukrainian President Viktor Yanukovych's decision to reject a deal for greater economic integration with the European Union (EU) were met with a violent crackdown by state security forces. The protests widened, escalating the conflict, and President Yanukovych fled the country in February 2014.

In October 2018, Ukraine joined the United States and seven other NATO countries in a series of large-scale air exercises in western Ukraine.

In October 2021, months of intelligence gathering and observations of Russian troop movements, force build-up, and military contingency financing culminated in a White House briefing with U.S. intelligence, military, and diplomatic leaders on a near-certain mass-scale Russian invasion of Ukraine. Commercial satellite imagery, social media posts, and published intelligence from November and December 2021 showed armour, missiles, and other heavy weaponry moving towards Ukraine with no official explanation from the Kremlin. In midDecember 2021, Russia's foreign ministry called on the United States and NATO to cease military activity in Eastern Europe and Central Asia, commit to no further NATO expansion towards Russia, and prevent Ukraine from joining NATO in the future. The United States and other NATO allies rejected these demands.

On February 24, 2022, during a last-ditch UN Security Council effort to dissuade Russia from attacking Ukraine, Putin announced the beginning of a full-scale land, sea, and air invasion of Ukraine, targeting Ukrainian military assets and cities across the country. Putin claimed that the goal of the operation was to demilitarize and denazify Ukraine and end the alleged genocide of Russians in Ukrainian territory.

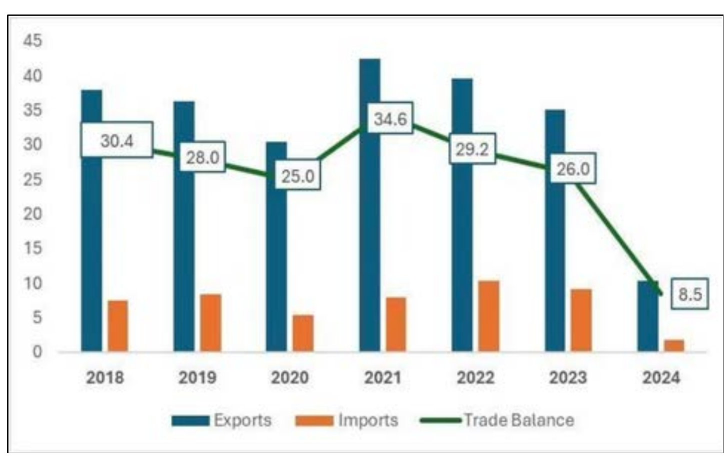
Impact on India

Russia has been one of India's largest trading partners since 1953, with current trade estimates around $5.42 billion, representing 0.06% of India's total trade. India imports significant amounts of precious stones, mineral oil, boilers, nuclear reactors, and fertilizers from Russia. The ongoing war has caused major disruptions in these sectors. As the world's third-largest oil consumer, with over 87.7% of its oil imported, India faced surging oil prices, impacting its economy. During the initial months of the conflict, oil prices rose sharply, projected to reach $140 per barrel, and policymakers critically assessed the impact on local markets and households.

Sector wise breakdown of the Impact of wars on Indian Economy

Export-Import

Conflicts can impair global trade routes and impact India's export markets. Major goods, including textiles, IT services, and pharmaceuticals, can suffer from reduced demand and supply chain disruptions, making it difficult to access affected areas. Sanctions or political standoffs may also impede access to critical markets. Import restrictions, in turn, can cause shortages of key products and raw materials, adversely affecting industries that rely on global supply chains. Agriculture is one of the core sectors of the Indian economy, with India being a global leader in rice, wheat, and spices. Wars disrupt trade routes and export markets, leading to reduced agricultural exports. For example, the Russia-Ukraine war significantly impacted wheat prices, limiting India's ability to capitalize on exports.



Rising Input Costs

Fertilizers, mainly imported from countries like Russia and China, experience price hikes due to war-induced supply disruptions. This directly reduces productivity and raises costs for Indian farmers, thereby fueling food inflation. Moreover, global conflicts drive up the prices of commodities like oil, metals, and other industrial inputs, which directly impacts production costs for India's industries. The rise in crude oil prices, for example, increases costs for sectors such as chemicals, plastics, and transportation.

Supply Chain Disruptions

India's manufacturing sector, which includes industries like automobiles, electronics, and chemicals, is deeply integrated into global supply chains. Wars disrupt the supply of essential components such as semiconductors and raw materials. For instance, the Russia-Ukraine war led to a shortage of palladium, a critical input for the electronics and automotive industries.

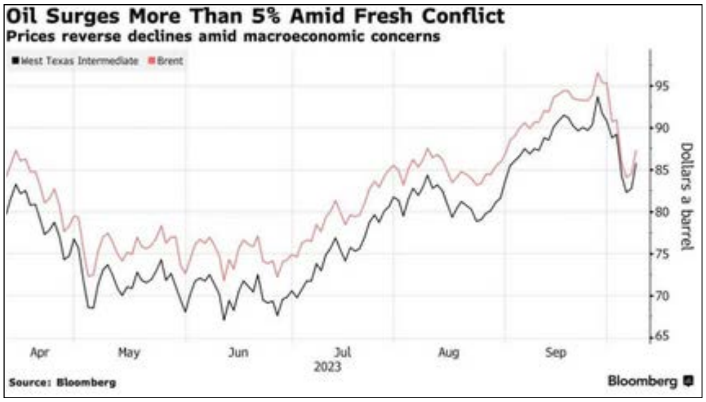
Energy

Oil Price Shocks

India is one of the largest importers of crude oil and is therefore highly vulnerable to the spillover effects of wars on global energy markets. For example, the Gulf Wars and the recent Russia-Ukraine conflict led to sharp spikes in oil prices. This increases India's import bill, fueling inflation and widening the current account deficit.

Energy Security Concerns

India relies on countries currently in conflict zones, such as the Middle East, for its energy needs. Wars in these regions, like the Yemen conflict or tensions in Iran, jeopardize India's energy security. This accelerates an ongoing government effort to diversify energy supplies, including developments in renewable sources such as solar and wind energy.



Financial Markets

Wars cause global financial market volatility, and markets react accordingly. For example, during the Russia-Ukraine war, sharp corrections were observed in the Indian markets as foreign institutional investors (FIIs) pulled their funds to invest in safer assets. At the same time, wars often lead to a depreciation of the Indian rupee, as investors seek safe-haven currencies like the U.S. dollar. This depreciation makes imports more expensive for India.

In summary, wars create ripple effects across various sectors of India's economy, often leading to inflation, trade disruptions, increased government spending, and shifts in market dynamics.

Breakdown of Strategies that can help reduce Vulnerabilities and ensure Economic Stability

- India can minimize disruptions in agricultural inputs like fertilizers by diversifying its import sources. Building strategic partnerships with multiple countries can reduce dependency on conflict-prone regions.
- India should invest in building robust domestic supply chains, particularly in the electronics, automotive, and pharmaceutical sectors. Initiatives like "Make in India" can help decrease dependency on imported raw materials and components.
- Encouraging innovation and investment in the domestic production of fertilizers, seeds, and farm machinery can reduce reliance on imports, insulating the agricultural sector from global conflicts. Additionally, improving cold storage and warehousing facilities for agricultural products can help eliminate supply shortages and price spikes during times of trade disruption caused by wars.
- Reducing reliance on crude oil imports by diversifying energy sources is critical. India can focus on enhancing its renewable energy capacity, including solar, wind, and hydropower. Expanding domestic oil and gas exploration, along with investing in nuclear energy, will also strengthen energy security.
- Strategic oil reserves should be bolstered to shield against short-term price shocks. Encouraging companies to use hedging instruments, such as derivatives, can help mitigate financial risks from currency volatility and commodity price spikes during conflicts. Indian exporters and importers can use these tools to protect against adverse market movements, ensuring stability in pricing and exchange rates despite geopolitical uncertainty.
- Encouraging greater participation in domestic capital markets from retail and institutional investors can reduce reliance on foreign investors, who often withdraw during global conflicts, leading to market instability.

These strategies will reduce India's vulnerabilities to the negative impacts of wars and other types of geopolitical conflicts. For an economy like India's, diversification in supply chains, increased self-reliance in critical sectors, innovative enhancements, and strategic alliances with global powers will not only strengthen the economy but also make it more flexible. These efforts will help safeguard India from external shocks, promote long-term stability, and strengthen its position in an increasingly uncertain global landscape.

Conclusion

Wars have had a complex impact on the Indian economy, delaying overall social and economic infrastructure development, causing loss of livelihood, loss of life, displacement, psychological trauma, and so on. We have seen the catastrophic phase of the Indian economy: inflation, resource depletion, trade disruption, and unemployment. For centuries, our country has faced several ups and downs and has come up with several tiebreaking strategies, but it's high time that we should not consider "Defence Expenditure" as "non-developmental growth" and focus more on its advancement.

Despite the negative consequences, there is another side to the story that includes national unity, patriotism, innovation, and technological advancement, as well as valuable lessons learned for future conflict prevention that we develop by engaging in such conflicts.

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The Economic Shockwaves of War

War's economic tremors ripple far beyond battlefields, shaking the foundations of our interconnected global economy. Their impact is particularly harsh on developing nations like India, exposing vulnerabilities that more affluent nations can often cushion against.

The first disruptions typically emerge in supply chains, where conflict can cutoff established trading patterns. The Ukraine war demonstrates this clearly – its impact reverberating through global commodity markets, particularly in grain and energy. When major exporters suddenly drop out of international markets, the supply contracts, demand remains steady, and prices surge upward. These price dynamics hurt import-dependent developing economies, where higher input costs squeeze both industrial production and household budgets.

Such supply shocks invariably feed into broader inflation pressures. Energy costs ripple through transportation networks and manufacturing chains, creating cascading price effects across sectors. While developed economies can often deploy monetary and fiscal tools to cushion these blows, developing nations face harder choices. Their central banks must balance inflation control against growth needs, while their finance ministries struggle to manage fiscal support demands against limited resources

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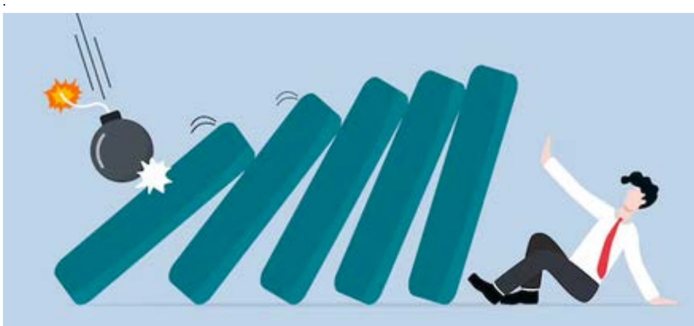


Infrastructure damage compounds these macroeconomic challenges. The destruction of roads, ports, and power grids creates bottlenecks that persist long after fighting ends. The Balkans' experience, post the Yugoslavian wars shows how such infrastructure deficits can hamper economic recovery for decades. These physical constraints interact with supply chain disruptions, creating friction in trade flows that exceeds simple price effects. When key transport routes become unreliable or expensive, entire industrial sectors may need to reconfigure their operations.

The impact on food security deserves particular attention, as it bridges economic and social stability concerns. When agricultural powerhouses like Ukraine face disruption, the effects cascade through global food markets. Import-dependent nations watch their food import bills soar while domestic prices climb. The resultant pressure on household budgets can spark social tensions, particularly in economies where food comprises a large share of consumer spending.

Trade route disruptions amplify these challenges. Military conflicts – or even their threat – can effectively block strategic shipping lanes. Current tensions in the South China Sea highlight this vulnerability. When key maritime corridors face increased risk, shipping costs rise and delivery times extend. The resulting trade friction adds another layer of cost to already strained supply chains.

For developing economies, these various pressures create complex policy challenges. Capital flows become more volatile as global risks rise. Exchange rates face increased pressure. Domestic inflation combines with external price shocks. Import bills grow while export earnings may shrink. The tools to address these challenges – foreign exchange reserves, fiscal buffers, monetary policy space – are often more limited than in developed economies.

These multiple impact channels interact and amplify each other. A supply shock leads to inflation, which affects trade patterns, which further strains supply chains. Infrastructure constraints compound logistics challenges, while food security concerns add urgency to policy responses.

Impact of Colonial Rule and the Cold-War on India

India's economic story is deeply intertwined with warfare, its modern economic structure bearing the imprints of centuries of conflict and colonial extraction. This historical context helps explain many of India's contemporary economic characteristics – from its industrial structure to its trade patterns.

The pattern began with early invasions by Mongols, Arabs, and Mughals. Each wave brought its own economic disruptions. Local industries faltered under heavy levies. Trade routes shifted. Wealth concentrated in new hands. But it was the arrival of the British East India Company in the mid-18th century that fundamentally reshaped India's economic landscape, for the worse.

The Company's approach was systematic. It used warfare as a tool of economic control, methodically expanding British influence across the subcontinent. This marked a crucial shift in India's economic position. A nation that once exported finished goods transformed into a supplier of raw materials. Self-sustained industries gave way to extractive trade policies. The British effectively rewrote India's economic role in global trade.

Colonial taxation amplified these distortions. Heavy land taxes drained resources from local development. These revenues instead funded British military campaigns, both in India and abroad. This created a peculiar economic dynamic: India's own resources financed the very system that kept it economically subordinate.

The World Wars intensified this extractive relationship. During World War I, India's contribution was substantial – men, materials, and money flowed outward, while domestic economic gains remained elusive. World War II demanded even more. The textile industry, once India's strength, weakened as Britain commandeered cotton and labour for war efforts.

Agricultural transformation under colonial rule further reshaped the economy. Traditional farming patterns shifted toward export-oriented plantation crops – tea, indigo, and jute. Forests fell to British industrial and military demands. This agricultural reorientation had lasting effects on rural livelihoods and food security. Even the railway system, though extensive, primarily served colonial trade interests rather than domestic economic integration.

Infrastructure development followed a similar pattern. British military priorities dominated resource allocation. Critical facilities were either diverted to support British forces or left underdeveloped. This military-first approach created lasting gaps in India's industrial infrastructure.

Wartime inflation added another layer of economic stress. Resource extraction and disrupted supply chains pushed prices upward. Essential goods became scarce. Purchasing power eroded. Indian households bore the brunt of these economic pressures, while colonial policies offered little relief.

Table 1.1 The changing share of world GDP 1600–1870 (in million 1990 international $)

	1600	% of total	1700	% of total	1870	% of total
Britain	6 007	1.80	10 709	2.88	100 179	9.10
Western Europe	65 955	20.02	83 395	22.46	370 223	33.61
China	96 000	29.14	82 800	22.30	189 740	17.23
India	74 250	22.54	90 750	24.44	134 882	12.25
World	329 417		371 369		1 101 369	

Source: Angus Maddison, *The World Economy*, Paris: OECD, 2001, p. 261, Table B-18.

The combined effect was profound. Colonial warfare and economic policies left India with weakened industrial capacity, distorted agricultural sectors, and depleted resources. The combined rule of East India Company and the British Empire, depleted India's wealth by 9.2 trillion Pounds ($45 trillion in today's terms). This legacy shaped India's post-independence economic challenges.

The Cold War's economic ripples, since India's independence in 1947 shaped it's growth trajectory in profound ways, though India charted a distinctive path through this turbulent period. While many nations found themselves caught between competing superpowers, India crafted a more nuanced position that would influence its economic trajectory for decades.

The global landscape during this era was marked by proxy conflicts and strategic manoeuvring. The United States and Soviet Union poured resources into securing influence across developing regions, from Latin America to Africa and Asia. Their competition manifested in support for various regimes and movements – authoritarian governments on one side, armed insurgencies on the other. Afghanistan exemplified this dynamic, where Soviet invasion met U.S.-backed resistance, which left behind a devastated economy.

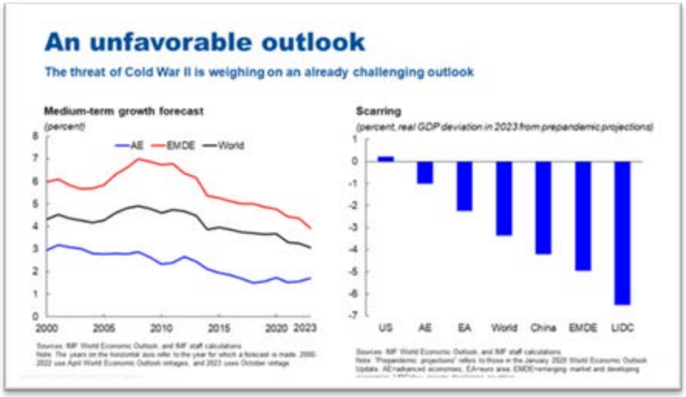
For India, regional conflicts added another layer of economic strain. The 1962 war with China and multiple conflicts with Pakistan – in 1965, 1971, and 1999 – necessitated substantial military investment. The 1971 Bangladesh liberation war, while strategically successful, carried significant economic costs. These conflicts created an imperative for India to maintain military parity with its neighbours, leading to increased defence spending and eventually, nuclear capabilities. This military modernization drive has left a lasting economic legacy – particularly in the form of growing pension obligations for ex-servicemen. Today, these fixed costs consume a significant portion of the defence budget (2.4 % of GDP on Military in 2023), creating a long-term fiscal burden that constrains other developmental spending.

But India's foreign policy response to this complex geopolitical environment proved strategically distinctive. Under Nehru's leadership, it pioneered the Non-Aligned Movement (NAM), effectively creating a third way in international relations. This wasn't merely political positioning – it had significant economic implications. By maintaining independence from both power blocs, India preserved its ability to engage economically with both sides, drawing development resources without becoming exclusively dependent on either camp.

This non-aligned stance proved economically pragmatic. While other developing nations saw their development paths constrained by Cold War allegiances, India maintained flexibility in its economic partnerships. It could trade with socialist economies while engaging with capitalist markets. Leaders like Yugoslavia's Tito, Indonesia's Sukarno and Egypt's Nasser joined this movement, creating a coalition of nations pursuing economic self-reliance amid global polarization.

However, this position wasn't without its challenges. The Indo-Pakistani conflicts highlighted how Cold War dynamics could still influence regional tensions. International support and diplomatic pressures often aligned with superpower interests, affecting India's economic and military choices. Yet the NAM framework provided some buffer against these pressures, allowing India to maintain its strategic autonomy.

Today's emerging U.S.-China tensions echo aspects of this historical pattern. The IMF warns of a potential "Cold War II" that could fragment the global economy along new lines. Early signs are visible in semiconductor supply chains, where increasing trade barriers and reduced collaboration signal growing economic divisions. This emerging divide, through policies like "China Plus One" to counter China's "Belt and Road Initiative", threatens to reinforce economic silos and stifle innovation.



For India and other developing economies, these emerging tensions present familiar challenges. The pressure to align with competing economic spheres threatens to replicate Cold War-era constraints.

Contemporary Conflicts: India's Economic Balancing Act

Today's geopolitical tensions, particularly the Russia-Ukraine conflict and U.S.-China friction, present India with complex economic challenges that echo historical patterns with new kind of complexities. These dynamics are reshaping everything from energy markets to agricultural supply chains, testing India's traditional non-aligned approach in an increasingly polarized global economy.

The energy sector exemplifies these challenges. As a nation importing 85% of its oil needs, India faces acute vulnerability to global price volatility. While it has strategically leveraged Today's geopolitical tensions, particularly the Russia-Ukraine conflict and U.S.-China friction, present India with complex economic challenges that echo historical patterns with new kind of complexities. These dynamics are reshaping everything from energy markets to agricultural supply chains, testing India's traditional non-aligned approach in an increasingly polarized global economy.

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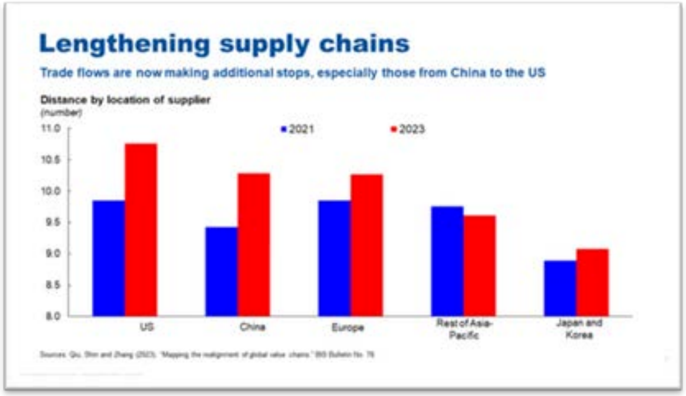

Agricultural markets tell a similar story of interconnected challenges. The war's disruption of global grain and fertilizer supplies has created a double squeeze – affecting both India's export potential and domestic production costs. Rising fertilizer prices, particularly affected by Russian and Ukrainian supply constraints, have escalated production costs throughout the agricultural sector. This has forced government intervention through increased subsidies, adding fiscal pressure at a time of already stressed public finances.

India's diplomatic positioning amid these tensions carries significant economic implications. Its measured stance on Western sanctions has enabled beneficial energy deals with Russia, helping moderate domestic inflation pressures. However, this balancing act grows more complex as major economies shift toward "friendshoring" – preferentially trading within aligned political blocs. This trend could affect India's access to crucial markets, particularly in high-technology sectors and defence equipment.

The broader strategic environment suggests these challenges may intensify. U.S.-China tensions point toward a potential new Cold War, with economic spheres increasingly aligned with geopolitical camps. While India's historical non-alignment provided flexibility during the original Cold War, today's integrated global supply chains and digital dependencies make such positioning more challenging.

These dynamics are forcing a rethink of economic resilience. India's push toward renewable energy isn't just environmental policy – it's a strategic move toward greater self-sufficiency (Atmanirbharta). Similarly, agricultural reforms and supply chain diversification reflect attempts to buffer against global instability.

But the path forward requires careful navigation. India must maintain strategic autonomy while participating in evolving global supply chains. It needs to secure energy supplies while transitioning toward sustainability. And it must protect domestic industries while remaining engaged with global markets.

Navigating Future Conflicts: India's Strategic Imperatives

The nature of global conflict is surely evolving, though perhaps not as catastrophically as media narratives suggest. Modern deterrence mechanisms and complex trade relationships, thanks to globalization, create natural constraints against full-scale warfare. Yet recent events have challenged the post-Cold War optimism that economic interdependence, aided by globalization alone could prevent conflict. Wars remain viable political tools, despite the web of international trade and nuclear deterrence.

This new reality demands a fundamental rethink of India's strategic positioning. While localized conflicts will likely persist, their economic impact can be managed through adaptive policies and strategic preparation. India's role is shifting from passive observer to active participant in shaping this emerging global order. The challenge lies in building resilience while maintaining strategic flexibility.

World Economy: Future Economic Power Shifts (2008-2040)
(% Share of World GDP in PPP)

	2008	2014	2020	2030	2040
Germany	4.2	3.8	3.4	2.8	2.3
USA	20.4	19.2	17.6	15.3	13.9
Japan	6.2	5.6	4.7	3.7	2.9
China	11.3	16.3	22.2	30.9	37.4
India	4.9	6.3	8.5	14.3	20.8

Source: World Bank for GDP in terms of purchasing power parity in 2008; Projections for 2014-2040 by Mr. Mathew Joseph, Senior Consultant, ICRIER

The Atmanirbhar Bharat initiative represents one pillar of this approach. By fostering domestic capabilities across critical sectors, India aims to reduce its vulnerability to external disruptions. The push toward renewable energy exemplifies this strategy – not merely an environmental choice, but a calculated move to insulate the economy from conflict-driven oil price volatility.

Similarly, efforts to diversify trade partnerships help shield against unilateral sanctions or export restrictions, increasingly common tools in modern geopolitical contests.

However, India's military transformation requires deeper consideration. Current reforms focus largely on structural changes rather than fundamental capability enhancement. This leaves critical gaps, particularly in addressing no-contact warfare scenarios. Despite some adoption of emerging technologies, the armed forces remain constrained by outdated procurement procedures and an attrition-based mindset that may prove inadequate for future conflicts.

The path forward requires a more comprehensive approach. India needs to move beyond traditional military thinking toward a more decentralized, networked, and flexible defence posture. This means prioritizing disruptive thinking over conventional battle drills, embracing emerging technologies, and developing new theories of victory appropriate for modern warfare.

Strategic resilience must be built across multiple dimensions. In manufacturing, India needs to secure critical supply chains and develop domestic capabilities in strategic sectors. Digital infrastructure requires strengthening against cyber threats. Energy security demands a balanced approach between traditional and renewable sources. Forums like the Quad and BRICS offer opportunities to diversify strategic partnerships and secure access to critical resources.

Yet transformation faces significant hurdles. Bureaucratic inertia and traditional procurement processes slow the adoption of new technologies. The military's organizational culture often favours established doctrine over innovative approaches. Bridging these gaps requires not just policy changes but a fundamental shift in strategic thinking.

Looking ahead, India's preparation for future conflicts must balance multiple imperatives. Economic self-reliance cannot come at the cost of international engagement. Military modernization must serve broader strategic objectives while remaining fiscally sustainable. The goal isn't to prevent all conflicts – an unrealistic aim – but to build resilience against their impacts while maintaining strategic autonomy.

Success in this endeavour will require coordinated action across multiple fronts. Policy frameworks must evolve to support rapid technological adoption. Military doctrine needs updating to address emerging threats. Economic partnerships must be diversified while maintaining strategic flexibility. These changes, implemented thoughtfully, can position India to navigate future conflicts effectively while pursuing its broader development objectives

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Introduction

War, even when fought beyond a nation's borders, sends shockwaves through economies, disrupting trade, investment flows, and market stability. For a nation like India, which is deeply integrated into the global economy and situated in a geopolitically sensitive region, the impacts of war can reverberate across multiple sectors. From colonial wars that drained economic resources to the consequences of modern conflicts involving global powers, India's economy has evolved through crises of varying magnitude.

In the present landscape, Geopolitical tensions between Russia and Western nations escalated as a result of the battle, which dimmed aspirations for global growth and raised concerns about how the crisis may impact the global supply chain. India has close trading ties with Russia and Ukraine. The war between both nations has affected the global economy and has had dire consequences to the Indian economy. Geopolitical tensions arising from war has further affected India

War and military conflicts have shaped the Indian economy in profound ways, both directly and indirectly, over centuries. Historically, colonial wars drained India's wealth, leaving long-lasting scars on its economic development. Modern wars and cross-border conflicts have imposed significant economic costs, as resources are diverted toward defence spending, impacting infrastructure and social welfare investments. The ripple effects extend to opportunity costs, where potential growth through education, healthcare, and infrastructure development is sacrificed. Border tensions, such as with Pakistan and China, and global conflicts—like the Russia-Ukraine war—have further strained trade, energy security, and inflation. Terrorism and counter-terrorism measures, especially post-2008, have also influenced policy priorities, leading to rising internal security expenditures and reduced investor confidence.

This article explores these ripple effects through a historical lens, assesses their contemporary relevance, and anticipates the potential economic outcomes in an increasingly volatile world.

Historical Impacts Of War On India Economy

India's economic history has been deeply influenced by wars and military conflicts, with repercussions that shaped its development across different eras. During the colonial period, wars fought by the British East India Company, such as the Anglo-Mysore and Anglo-Maratha wars, drained India's wealth through heavy taxation, looting of resources, and exploitative trade policies. The two World Wars further intensified the economic burden, as India became a strategic supplier of troops, raw materials, and goods, leading to inflation, food shortages, and disruption of industries. World wars always had deeply affected the Indian Economy be it WW1 or WW2.

The First World War caused India to nearly go bankrupt and also a major loss in casualties. There was a sharp increase in demand for Indian goods in Britain as production capabilities in Britain itself were diverted to the war effort. There was excess demand as well as supply bottlenecks. Another result was inflation. Exports of cash crops like jute suffered due to the loss of the European market.

The Second World War had also caused a catastrophic loss to the Indian economy, between the years of 1939-45. The root cause of the entire Indian economic problem was Inflation which manifested due to the tremendous amount of treasury which was used to finance various military activities. There were four major consequences of Second World War on India and they included high inflation which was on account of war expenditure, the value of Indian currency took a nosedive, economic imbalances due to currencies exchange problems and the development of exchange control.

Post-independence, the wars with Pakistan (1947, 1965, and 1971) and China (1962) not only strained public finances but also reoriented economic priorities towards defence and security. Limited resources that could have been used for industrialization, infrastructure, and education were channelled into military spending. These conflicts also led to periods of economic instability, triggering devaluation of the currency and delays in economic reforms. However, in some cases, such as after the 1971 war, political victories spurred short-term economic morale and diplomatic leverage, opening avenues for trade and foreign alliances.

The cumulative impact of these wars has been a lingering focus on defence preparedness, influencing India's economic policies to this day. The diversion of resources toward military needs limited early growth opportunities, while geopolitical tensions continued to shape trade relations and policy decisions well into the 21st century.

Economic Costs of War and Military Conflicts

War and military conflicts impose significant direct and indirect economic costs and losses on nations. Such unrest often causes damage to key economic assets, and the entire infrastructure of the economy along with disruption to trade, inflationary pressures and loss of productivity, leading to a substantial contraction in GDP. In some recorded instances, military conflict has led to GDP reductions of up to 30% within five years of the conflict starting. This decline is exacerbated and evidenced by inflation, driven by increased government spending and support on expenditures on defence, borrowing, or currency printing.

For India, the economic costs of conflicts, particularly with Pakistan over the years after the partition and insurgencies in regions like Kashmir and the North-Eastern parts of the country, have been substantial. For example, the 1999 Kargil War cost the Indian economy an estimated ₹500 billion in military expenditure and lost economic growth as per projections by many leading international organisations. Additionally, the constant defence spending required to maintain military readiness along India's borders from three sides as well as the sea front diverts resources from social sectors like education and healthcare, undermining long-term economic growth and internal disruption in development . The economic losses are not only confined to military costs but also extend to trade disruptions. Conflicts like the India-Pakistan wars have negatively impacted regional trade, as cross-border relations have remained strained for decades.

Present day impact of conflicts and border tensions

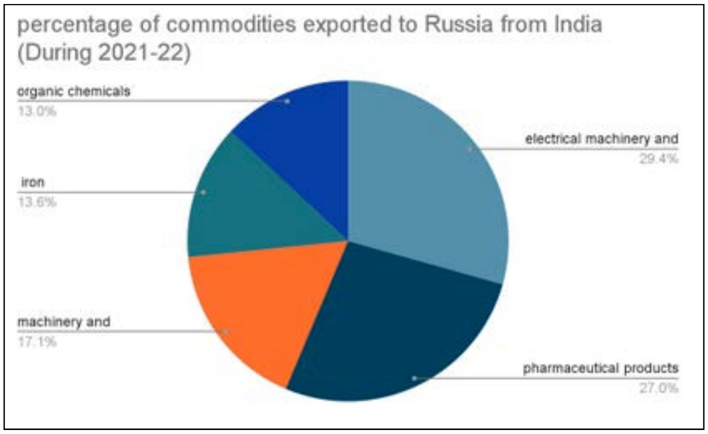
Current geopolitical conflicts

The current crisis began in early January 2021, when the Ukraine President urged the US to permit Ukraine to join the North Atlantic Treaty Organization (NATO). Ukraine and Russia are two countries that border each other in Eastern Europe, and any eastward expansion of NATO is a direct threat to Russia's interest and border security. Subsequently, Russia demanded the West to give a legally binding guarantee that the NATO will not expand eastward or allow former Soviet States like Ukraine to join, and that the NATO will not hold any military activity in Eastern Europe. However, the US has ruled out changing NATO's 'open-door policy' which means that NATO would continue to induct more members. Against no assurance from the US, on February 22, 2022, Russia recognised the independence of two separatist regions of Donetsk and Luhansk. The larger conflict materialised, on February 24, when Russia launched what it termed as a 'special military operation', which has invited a range of sanctions on Russia from across the world.

India's trade with Russia and Ukraine :

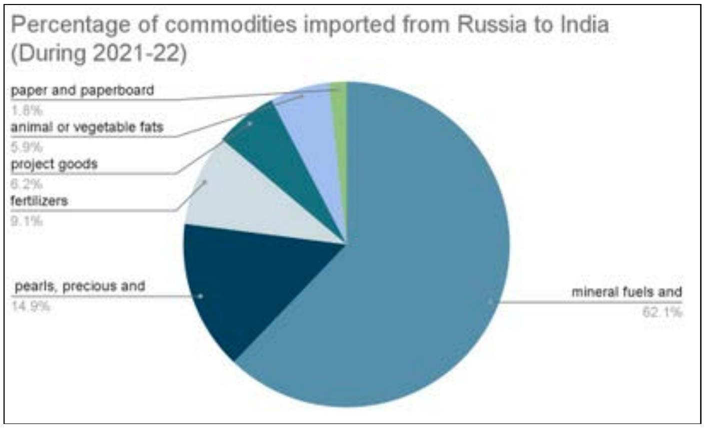
Russia : Trade with Russia in terms of both exports and imports recorded the highest levels in 2021-22.

1. Export - India's exports to Russia increased from US$ 1.8 billion in 2011-12 to US$ 3.3 billion in 2021-22, recording an average annual growth rate (AAGR) of 7.7%.



(....India Exim bank)

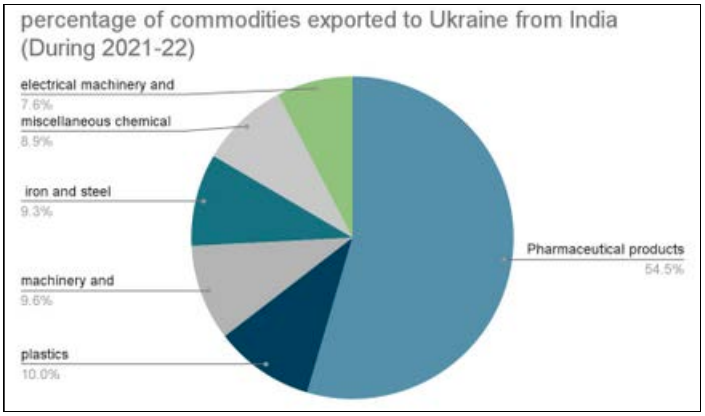
2. Imports - The imports have recorded an AAGR of 12%, growing from US$ 4.8 billion in 2011-12 to US$ 9.9 billion in 2021-22.



(....India Exim bank)

Ukraine

1. Export - India's exports to the country remain relatively stable throughout the last decade. During 2021-22, India's exports to Ukraine was US$ 472.7 million, lower than US$ 491.2 million recorded in 2011-12.



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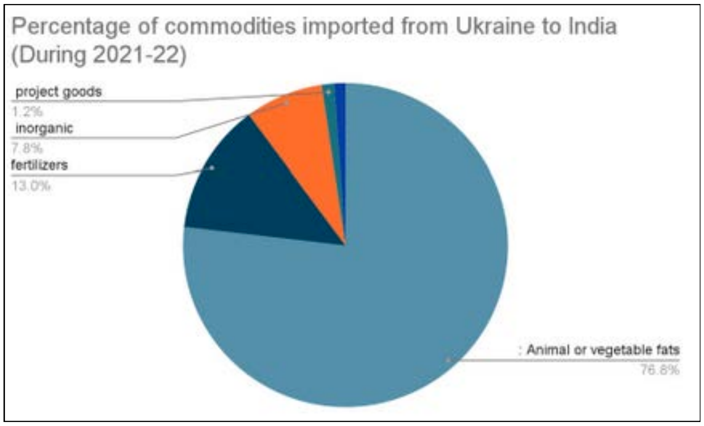
2. Import - India's imports from Ukraine witnessed an increase from US$ 2.5 billion in 2011-12 to US$ 2.9 billion in 2021-22, increasing by an AAGR of 4.2%.



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Impact of war on Indian Economy:

- Exchange Rate: High oil prices and volatility prevailing in global markets have resulted in rupee coming under significant pressure
- Inflation: A rise in global crude prices and heightened uncertainties would increase the domestic price of crude products and increase domestic inflation.
- Financial Services: Continuous FPI outflows and heavy selling in domestic equities could weigh on the equity markets and India's market valuations. Indian companies having exposure to Russia, Ukraine and other European companies would come under the scanner, with chances of stress in their financial conditions.
- Public Services: The impact of higher oil prices could affect India's expenditure budget, leading to fiscal targets going awry. Impact of high crude oil prices on Government finances could lead to Government of India cutting back on capital outlays.

Opportunity Costs and Human Capital Losses

The opportunity cost of war is particularly severe, as resources that could have been used for development and human capital investment are instead directed toward defence rather than investments in long term growth of the country and its people. In regions affected by prolonged conflict, like Kashmir, education and healthcare systems are disrupted, leading to a significant loss in human capital and depleted quality and output of future generations in terms of health and education. For instance, ongoing insurgency-related violence has kept children out of schools, stunting educational outcomes and reducing the future labour force's productivity.

The long-term impact of war on human capital is particularly evident when considering the displacement of populations and the loss of life. In India, regions like Jammu and Kashmir have seen significant out-migration due to conflict, especially of certain religions and culture, leading to a "brain drain" phenomenon that weakens the local economy. Conflicts also affect mental health, with populations exposed to prolonged violence suffering from trauma, reducing their ability to contribute productively to the economy. Studies indicate that the psychological and health impacts of conflict can reduce lifetime earnings by 1.5–3%. The loss of human capital has compounding effects, stalling economic recovery and development for generations.

Impacts Of Terrorism And Measures Of Counterterrorism

Terrorism has posed significant challenges to India's economic growth by destabilising critical sectors and diverting resources toward security and counter-terrorism efforts. The loss of human life and the injuries sustained as a result of terrorism cause significant economic disruption.

The adverse economic consequences of terrorism affect individuals and societies alike. The immediate economic costs of terrorism can be measured in terms of the value of lives lost, the disability that results from the injuries, and the destruction of private and public property.Beyond the immediate impact, terrorism produces disruptions to the broader economy that may only appear days, weeks or months after the terrorist incident. Depending on the scale and frequency of the terrorist events within a country, the economic impact of terrorism on growth, investment, consumption and tourism is a serious threat to the economic development and growth of a country. Terrorism alters economic behaviour, primarily by changing investment and consumption patterns. In addition, Terrorism destroys capital and reduces the economic capacity of the country affected.

To counteract terrorism, India has implemented various measures, including enhanced border security, intelligence coordination, and anti-terror laws. However, these measures come with their own economic costs, requiring continuous investment in infrastructure, personnel, and technology. Thus, terrorism remains both an economic challenge and a constraint on India's development ambitions.

Future implications on Indian economy on war

The Indian economy faces several potential impacts from future conflicts, both regional and global. Future wars could disrupt key sectors such as technology, agriculture, and manufacturing, increasing volatility in global supply chains. In particular, the reliance on imports for energy resources makes India vulnerable to oil price shocks, which would further drive inflation and affect industrial output.

Regional conflicts, particularly with Pakistan and China, could exacerbate defence spending, diverting funds away from critical development sectors like infrastructure, healthcare, and education. However, initiatives such as "Make in India" and "Atmanirbhar Bharat" could position India as a leading exporter of defence technology, transforming war preparedness into a driver of economic growth.

In this future landscape, India's ability to balance the need for strong national defence with sustainable economic development will be critical. India's ability to navigate these challenges will depend on its economic resilience, strategic planning, and efforts to balance national security needs with broader economic development goals.

Role of Global Institutions

Global institutions play a vital role in mitigating the effects of conflict and aiding post-war recovery especially in countries that are on the path of development or underdeveloped. Organisations such as the United Nations (UN), International Monetary Fund (IMF), and World Bank provide financial assistance and support for rebuilding infrastructure and institutions in war-torn and unrest-disrupted countries. These organisations also facilitate peace negotiations and governance reforms aimed at preventing future conflicts and international problems.

India, as a member of the UN, has benefited from international support in conflict resolution and peacebuilding, particularly in regions like Kashmir. The World Bank and IMF have provided financial aid to India for infrastructure projects, some of which help stabilise conflict-affected regions by promoting economic development and reducing the causes of insurgency. However, despite international assistance, the complex geopolitical landscape in South Asia means that conflicts like those between India and Pakistan require sustained diplomatic efforts beyond economic reconstruction for long term peace and welfare of all their citizens.

Conclusion

The ripple effects of war on the Indian economy have been profound, stretching from colonial times to the present and posing significant future challenges. Historically, wars drained India's resources, hindering its industrial development and stalling social welfare investments. The impacts of colonial and world wars left deep economic scars, contributing to long-term inflation, currency devaluation, and reduced human capital. Post-independence, conflicts with neighbouring countries such as Pakistan and China diverted crucial resources toward defence, delaying infrastructure and educational reforms that were vital for India's progress.

In the contemporary context, ongoing geopolitical tensions, such as the Russia-Ukraine conflict, have demonstrated how global wars continue to impact the Indian economy. These conflicts strain trade relations, inflate energy prices, and disrupt financial markets, exposing vulnerabilities in India's energy security and inflation control. Border tensions with Pakistan and China further exacerbate economic challenges, forcing India to allocate a significant portion of its budget to defence and security, often at the cost of social and developmental programs.

Looking ahead, the future implications of war on the Indian economy present both challenges and opportunities. While increased defence spending may continue to strain public finances and slow down long-term economic growth, initiatives like "Make in India" and "Atmanirbhar Bharat" offer avenues for turning military preparedness into economic advantage. The indigenization of defence technology and exports could spur innovation, boost domestic manufacturing, and strengthen India's position in the global arms market.

Ultimately, India's ability to balance defence and development will shape its economic resilience. Strategic planning and economic diplomacy will be critical in navigating the complexities of future conflicts, allowing India to safeguard its national security while promoting sustainable economic growth.

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Since the world today is in a deep state of political and a military crises ranging from the mighty war in ukraine.

To the situational conflicts arising in middle East (west asia) .

This situation presents a grim reality of the interplay of geopolitical goals of various powers, in order to satisfy and advance their political interests , but these sensitive military conflicts not only create social, political or societal instability, but even disrupt the economic and business cycle globally.

This disruption of war leads to breakdown in global supply chains, it negatively affects shipping trade routes , leads to extreme deficiency of critical components and raw materials and creates a sky rocketing supply side inflationary situation, And this can be best exemplified by the recent economic data reports which present a stark reality of increasing inflationary situation and reducing consumer demand globally, which enhances unemployment figures and lowers the standard of living along with the GDP growth percentage.

Recounting such exemplary experiences of economic difficulties in the past that affected the world and India's economic situation ranges from the Arab -Israel war of 1973 , and subsequent price hikes of crude oil due to oil embargo imposed by Arab states that almost derailed the world's economic production capacity and triggered wide scale political protest and demonstration by the opposition representatives, due to sudden inflationary shock in domestic economy of new Delhi and it forced the establishment of india to shell out more forex for purchasing crude and eventually forced them to freeze the salaries of government servants of various departments.

While taking into consideration the present example, where the recently started biggest crisis in europe after world War 2 i.e. Russian -Ukraine crises in 2022

Forced the Western representatives to sanction Moscow and cut off the Kremlin's ability to trade with the other nations freely.

This skyrocketed the price of Brent crude internationally, creating a spiralling supply side situation of insufficiency and shortage of crude in the world,

According to several media reports, the government of india's forex expenditure rose 3 times to purchase almost the same quantity of this product and its ripple effects were felt in the domestic front as well, as the elected establishment was forced to divert the economic resources meant for critical and developmental purposes in order to purchase the basic raw material this creates an additional burden on Exchequers of establishment and reduces the value of the currency due to increased outflow of dollar (forex reserves) , but maximum negative economic effects were neutralized, thanks to the discounted price of Russian crude provided to us.

Whereas the recently unfolded conflicting situation in the Middle East i.e.war between the Israel and Iran's proxies like Hamas and Hezbollah , which is not only the source of disturbing global supply chain routes along the routes Suez canal, but even for the enhancing the fear of the larger conflict between Tehran and tel Aviv, which could sabotage the oil production facility in middle East possibly creating a spiralling effect of supply side crises of crude oil in the global markets in the future.

The above mentioned examples clearly presents us with the reality of disruption of global conflicts of India's economy in particular and worlds economic capacity in general.