



India Vs Pakistan War, Triggering Nuclear War and Its Impact on The Indonesian Economy

A. Junaedi Karso

Government Study, Universitas Muhammadiyah Makassar, Indonesia

e-mail: junaedi@unismuh.ac.id

Abstract. *The war between India and Pakistan has had a devastating impact on the economies of both the countries directly involved and those indirectly affected. The economic impacts of this armed conflict include significant infrastructure damage, reduced production capacity, soaring inflation, rising unemployment, and reduced investment flows. This geopolitical instability has also fueled uncertainty in global financial markets, triggering a "flight to safety" phenomenon, a shift in capital and investment to countries or instruments perceived as safer, such as US government bonds or gold. For Indonesia, this situation has the potential to significantly disrupt national economic stability. One impact is a reduction in foreign direct investment (FDI) inflows, as investors tend to hold back or relocate their investments to more geopolitically stable countries. Furthermore, pressure on the rupiah exchange rate could increase due to global financial market volatility and a decline in international investor confidence. The conflict could also hamper Indonesia's export traffic, particularly to countries with close trade ties with India and Pakistan. Furthermore, these tensions could disrupt global supply chains, particularly for energy and food commodities, many of which pass through strategic trade routes. If the conflict drags on, the price of crude oil and other raw materials could potentially rise sharply, which in turn would increase domestic production costs. This would have a direct impact on inflation and public purchasing power. This situation further complicates the management of Indonesia's monetary and fiscal policies, which currently face significant challenges, such as the imminent maturities of large government debt and a still-widening state budget deficit. The government must take strategic steps to maintain domestic economic stability, strengthen foreign exchange reserves, and encourage export market diversification to reduce over-reliance on conflict-prone countries.*

Keywords : *Impact on The Indonesian Economy, India Vs Pakistan War, Inflation, Trade Disruption, Triggering Nuclear War*

1. INTRODUCTION

The impact of the India vs Pakistan War is also certain to increase uncertainty in the global financial market, the emergence of 'flight to safety', where capital flows shift to safe countries and investment instruments. Because for Indonesia, it will certainly reduce foreign direct investment (FDI) inflow and increase pressure on the exchange rate. This adds complications to monetary and fiscal management which is currently very challenging, especially due to large maturing debts and the state budget deficit. The India-Pakistan war could disrupt the export traffic of Indonesian products to several countries, especially amid the threat of a trade war. War broke out in South Asia between India and Pakistan. They competed fiercely with each other's military strength.

The beginning of the war between India and Pakistan began with tensions that arose after the attack on April 22, 2025 in Kashmir, Kashmir as the trigger for the war is a valley area in the Himalayan mountains that has been disputed by India and Pakistan for years. Kashmir is divided into two, where part is managed by India and part belongs to Pakistan.

This incident killed 26 tourists, the majority of whom were from India. India accused Pakistan of being involved in the militant attack. However, Pakistan denied this and pushed for an open investigation.

India chose to attack Pakistan in the early hours of Wednesday (7/5/2025) resulting in the deaths of 31 civilians and dozens more injured. Pakistani authorities said India launched 26 attacks at 6 points and deployed 80 fighter jets.

Pakistan then retaliated. They shot down 5 Indian fighter jets, some of which were Russian-made MiG-29s and Su-30s, as well as 3 French-made Rafales.

2. PROPOSED METHOD

Based on the background above, the problem formulation in this paper is: "India's war on the Indonesian economy"?

The Data Collection Technique uses Online Data Search/Internet searching, browsing, surfing or downloading data, books, magazines, journals, theses, dissertations, online news, media, websites and sources from experts related to matters related to the "India vs Pakistan War, Against the Indonesian Economy".

3. RESULTS AND DISCUSSION

Impact of War

War has a very detrimental impact on the economy, both for countries directly involved and other countries affected by it. Economic losses due to war include damage to infrastructure, decreased production, inflation, increased unemployment, and decreased investment.

The impacts of war include:

- **Infrastructure Damage:**

War often causes damage to economic assets, such as factories, buildings, and transportation facilities, which hinders economic activity.

- **Decrease in Production:**

Conflict can disrupt the supply chain, causing production of goods and services to decline. Instead of focusing on production, resources are diverted to the military sector, which also reduces economic output.

- **Inflation:**

Large government spending to finance war can cause inflation, because increased demand is not followed by sufficient increases in production.

- **Increased Unemployment:**
War can cause unemployment to increase because many people are forced to leave their jobs to enlist in the military or because companies close due to the impact of war.
- **Decline in Investment:**
War creates political and economic uncertainty, which discourages investors from investing, thus worsening the decline in economic growth.
- **Impact on International Trade:**
War can disrupt international trade, both because of economic sanctions imposed on warring countries and because of political and economic instability that causes a decline in investment and trade.
- **Impact on Commodity Prices:**
War can cause fluctuations in commodity prices, especially fuel, which can have an impact on inflation and the economy at large.
- **Long-Term Impact:**
Economic losses due to war do not only occur during the war, but also continue in the long term, and can even cause ongoing economic instability.

An example of the Impact of the India Vs Pakistan War is also certain to increase uncertainty in the global financial market. He predicts the emergence of a 'flight to safety', where capital flows shift to safe countries and investment instruments. Because for Indonesia, of course it will reduce foreign direct investment (FDI) inflow and increase pressure on the exchange rate. This adds complications to monetary and fiscal management which is currently very challenging, especially due to large maturing debts and the state budget deficit

Danger Lurks for the Indonesian Economy if the India vs Pakistan War Becomes Big, What Is It?

Observers say that the India and Pakistan war could disrupt the export traffic of Indonesian products to several countries, especially amid the threat of a trade war. War broke out in South Asia between India vs Pakistan. They competed fiercely with each other's military strength.

Tensions arose after the attack on April 22, 2025 in Kashmir, part of the territory controlled by India. This incident killed 26 tourists, the majority of whom were from India.

India accused Pakistan of being involved in the militant attack. However, Pakistan denied this and pushed for an open investigation.

However, India chose to attack Pakistan on Wednesday (7/5/2025) in the early hours of the morning, resulting in the deaths of 31 civilians and dozens more injured. Pakistani authorities said India launched 26 attacks at 6 points and deployed 80 fighter jets.

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Kashmir as the trigger for the war is a valley area in the Himalayas that has been disputed by India and Pakistan for years. Kashmir is divided into two, where part is managed by India and the other part belongs to Pakistan.

Senior Researcher at the Department of Economics, Center for Strategic and International Studies (CSIS) Deni Friawan told CNNIndonesia.com, Friday (9/5/2025). asked the Indonesian Government to prepare. He said there must be anticipatory steps in dealing with the impact of the war. "The impact of the India-Pakistan conflict if it gets bigger and escalates for the Indonesian economy will certainly be very large,".

Rice prices soar

Meanwhile, Head of the Center for Macroeconomics and Finance INDEF M Rizal Taufikurahman sees the outbreak of conflict in South Asia as a signal of external risk, not just a regional issue that is far from reach. This has the potential to weaken Indonesia's economic resilience.

Rizal said that Indonesia's direct trade exposure to the two countries was relatively small. However, he warned of indirect impacts with the emergence of spikes in food prices, especially rice. "Indonesia's dependence on rice imports and the sensitivity of the rupiah to global shocks make this situation a serious threat to price stability and people's purchasing power.".

If not responded to immediately, this conflict has the potential to worsen the pressure on domestic consumption which is already slowing, increase the fiscal burden due to the need for subsidies, and disrupt investor perceptions of regional stability.

There are three ways that could be President Prabowo Subianto and his staff's strategy in fending off the negative impacts of the India-Pakistan war.

- First, accelerate the transformation of food security. This can be done through increasing productivity, digitalizing distribution, and incentives for self-sufficiency in strategic commodities.

- The second way is to strengthen policy synergy between Bank Indonesia (BI) and the Ministry of Finance. The goal is to maintain the stability of the rupiah and strengthen fiscal fundamentals so that the market continues to trust it. 3) Third, Rizal suggested economic diplomacy that continues to be directed at opening alternative import access from non-conflict countries. The government also needs to utilize regional forums to reduce further escalation. With measured strategic steps, Indonesia can turn this geopolitical threat into a momentum to strengthen the foundation of a more resilient and adaptive national economy. (cnnindonesia.com, 09/052025).

Examining the Causes and Impacts of the India-Pakistan War

The India-Pakistan War began after an attack in the Baisaran Valley, Pahalgam, a region of Kashmir under Indian control, on April 22, 2025.

Tensions have been rising between India and Pakistan. The India-Pakistan War ended when India launched a missile attack on several areas in Pakistan and Pakistan-controlled Kashmir on Wednesday morning, May 7, 2025.

This attack resulted in a number of explosions that were heard in various areas, including the cities of Bahawalpur, Muridke, Bagh, Muzaffarabad, and Kotli in the disputed region.

The armed conflict between India and Pakistan began after an attack in the Baisaran Valley, Pahalgam, a region of Kashmir under Indian control, on April 22, 2025. In the incident, a group of gunmen killed 26 people, 25 of whom were tourists and one was a local horse rider.

India accused Pakistan of being behind the attack by supporting, arming, and training armed groups that were considered the source of unrest in the area. However, on the other hand, Pakistan emphasized that they only provided moral and diplomatic support for the separatist movement in Kashmir.

After the attack, India accused a group called The Resistance Front (TRF) of being the perpetrator, claiming that the group received support and protection from Pakistan.

Prime Minister Narendra Modi stated that India would pursue the perpetrators of the attack in Kashmir "to the ends of the earth". However, quoted from Al Jazeera, more than two weeks after the incident, Indian troops were still searching the forests of Kashmir to find the perpetrators of the attack, even though India had launched an attack on the area across the border.

Impact After the Pahalgam Attack

Since April 22, tensions have increased, culminating in increasingly strained diplomatic relations. One of them is that India has suspended its participation in the Indus Waters Treaty, which shares the waters of six rivers with Pakistan.

Because India is a state upstream of the river, in theory, India can restrict Pakistan's access to the water it is entitled to and relies on. India has also revoked visas for Pakistani citizens. Meanwhile, Pakistan has threatened to suspend the Simla Agreement.

- Most recently, India accused Pakistan of violating the ceasefire between the two countries after several explosions occurred in Indian-administered Kashmir on Saturday night, May 10, 2025. The India Pakistan ceasefire was led by the United States.
- Reported by CBS News (10/05/2025), Indian Foreign Minister Vikram Misri said on Saturday night that there had been repeated violations of the understanding reached between the two countries on the ceasefire. Misri accused Pakistan of violating the agreement.
- Pakistani officials denied violating the ceasefire. Pakistan said India had committed violations in several areas. He said that his troops had handled the situation and controlled themselves.
- According to a spokesman for the Pakistani Foreign Ministry. "Pakistan remains committed to implementing the ceasefire between Pakistan and India, which was announced today,". (Tempo, 11/052025).

Beware of Asia's Nuclear War

These Three Countries Could Defend Pakistan Against India

Tensions are still ongoing between Pakistan and India. This has continued to escalate after India launched an attack on Pakistani territory on Wednesday (7/5/2025) in response to the mass shooting in Kashmir on April 22 that killed 26 tourists.

India accused this action of being carried out by a group backed by Islamabad. On the other hand, Pakistan rejected the claim and asked for a neutral investigation.

Amid this escalation, Pakistan has also voiced its intention to retaliate against the attack carried out by India, raising the potential for war between the two nuclear-armed countries. Here are some parties that might defend Pakistan if it were in an open war against India:

Defenders of Pakistan

- **China**

As tensions between India and Pakistan escalate following the Pahalgam terror attack, China has stepped in with vocal and visible support for Islamabad. Last Monday, Chinese Ambassador to Pakistan Jiang Zaidong met with Pakistani President Asif Ali Zardari in Islamabad and underlined Beijing's commitment to regional peace.

At the event, Zaidong thanked Zardari for sharing Pakistan's perspective and stated clearly that China will always support Pakistan to achieve the common desire of both countries to secure peace and stability in South Asia.

China understands Pakistan's legitimate security concerns and supports its efforts to safeguard national sovereignty and security interests.

Meanwhile, Victor Gao, a prominent Chinese strategist and former diplomat, spoke in Chinese media and warned against any form of military aggression against Pakistan.

"China & Pakistan are strong allies under all conditions. No one should doubt this alliance between China and Pakistan. China will always come to the aid and support of Pakistan whenever Pakistan's sovereignty and territorial integrity are threatened by any country. China's full commitment is to defend Pakistan's sovereignty,".

- **Azerbaijan**

Azerbaijan was one of the countries that defended Pakistan immediately after the attack by India. The Caucasus country condemned the aggressive and deadly action launched against the Land of Ali Jinnah.

According to the Azerbaijani Foreign Ministry, "The Republic of Azerbaijan expressed its concern over the escalating tensions between the Republic of India and the Islamic Republic of Pakistan." "We condemn the military attack on the Islamic Republic of Pakistan that killed and injured several civilians. In solidarity with the people of Pakistan, we convey our condolences to the families of the innocent victims and pray for a speedy recovery to those injured."

- **Turkey**

Like Azerbaijan, Turkey has also voiced its support for Pakistan. The Anatolian country even called India's aggressive actions a threat to peace in the region.

According to the Turkish Foreign Ministry. We are following the developments between Pakistan and India with great concern. The attacks carried out by India increase

the risk of an all-out war. We condemn such provocative steps as well as attacks targeting civilians and civilian infrastructure.

Turkey called on both sides to use common sense and refrain from unilateral actions. Ankara, in addition, also reiterated its support for Pakistan's proposal for a neutral probe into the Kashmir shooting.

"We hope that measures will be taken to reduce tensions in the region as soon as possible and that necessary mechanisms, including in the field of counter-terrorism, will be put in place to prevent a recurrence of similar incidents. We also support Pakistan's call for an investigation into the April 22 terrorist attack," (CNBC, 08/05/2025).

India's Defenders

Several countries have openly supported India over the conflict with Pakistan. Here are some countries that have expressed their support for India:

- Israel

Israel has openly expressed its support for India amidst tensions with Pakistan.

In fact, Israeli Prime Minister Benjamin Netanyahu, the Israeli embassy in India, ambassadors, and other senior Israeli leaders have condemned the Pahalgam attack.

Netanyahu also held a dialogue with Prime Minister Narendra Modi to convey his condolences and support.

Despite being engaged in a war with Hamas in the Gaza Strip, Israel has expressed its commitment to provide all kinds of assistance to India.

- Italy

Apart from Israel, Italian Prime Minister Giorgia Meloni has also expressed her support for India. She condemned the attack that took place in Pahalgam.

The country has also agreed to provide all forms of support to India.

For information, during Giorgia Meloni's tenure, bilateral relations between India and Italy have strengthened significantly.

- France

French President Emmanuel Macron expressed his sadness over the Pahalgam attack.

He also announced all possible assistance to India.

He said he was ready to take firm action against the perpetrators involved in the attack.

- **United States**

Reuters reported that top US leaders, including US President Donald Trump, offered support to India after the April 22 attack. However, US officials did not directly blame Pakistan.

For information, India is an important US partner for Washington which aims to counter China's increasing influence. Meanwhile, Pakistan remains an ally, although its importance has diminished after the US withdrawal from neighboring Afghanistan in 2021.

Analysts also say that Washington is likely to leave India and Pakistan alone in the early days of tensions. This is because India and Pakistan have a lot to resolve to achieve diplomatic goals in Russia's war in Ukraine and Israel's war in Gaza.

India and Pakistan will resolve the problems of their relations between themselves. "They will resolve it one way or another." However, Trump admitted that he deeply regretted the attack that occurred between India and Pakistan. Trump hopes that the India-Pakistan conflict will end soon.

- **Russia**

Russian President Vladimir Putin, through a telephone call with Indian Prime Minister Narendra Modi, said that the perpetrators of the attack in Pahalgam and their supporters must be brought to justice.

Quoted from the Times of India, Putin wrote a letter to Modi on April 22 and expressed the hope that the perpetrators would receive appropriate punishment. He also strongly condemned the action.

The statement was seen as a form of Russia's strong support for India, which is considering military options to reduce the threat from Pakistan.

Putin's statement came amid calls from the West and India's important partners in the Gulf for de-escalation and restraint.

These are some of the countries that have openly expressed support for the India-Pakistan conflict. (Kompas.com, 07/05/2025).

Indonesia's Attitude to the India-Pakistan War

- **India-Pakistan War, Indonesia Asks Both Sides to Restrain Themselves**

The Indonesian government has urged India and Pakistan to restrain themselves and prioritize dialogue in resolving the increasing tensions between the two countries.

This appeal was made following India's missile attacks on a number of areas in Pakistan, including the disputed Kashmir region.

Through the official account of the Ministry of Foreign Affairs (Kemenlu) of the Republic of Indonesia on the X platform on Wednesday (7/5/2025), Indonesia stated that it continues to monitor developments in the situation in South Asia and hopes that the two countries can ease tensions through peace talks.

The Indonesian government continues to monitor developments in the situation between India and Pakistan. Indonesia encourages both parties to restrain themselves and prioritize dialogue in resolving the crisis.

- **Appeal to Indonesian Citizens**

Facing the heating up situation, the Directorate for Protection of Indonesian Citizens (PWNI) of the Indonesian Ministry of Foreign Affairs has appealed to Indonesian citizens to increase their vigilance.

Indonesian citizens who plan to travel to India or Pakistan, especially to border areas or areas affected by conflict, are asked to postpone their travel until the situation improves.

"For Indonesian citizens in both countries, please remain vigilant and avoid traveling to affected areas and places that may be targets of conflict," said the Ministry of Foreign Affairs in a post on the X account.

PWNI Director Judha Nugraha added that until now all Indonesian citizens living in India and Pakistan are safe. Most of them are Indonesian citizens who are married to local residents and live with their families.

"There have been no reports of Indonesian citizens being directly affected by this tension,".

The Indonesian Ministry of Foreign Affairs stated that it is ready to provide assistance to Indonesian citizens if needed and continues to coordinate with Indonesian diplomatic representatives in New Delhi and Islamabad to ensure the safety of its citizens. (Kompas.com, 08/05/2025).

4. CONCLUSIONS

War is very detrimental to the economy, both for countries directly involved and other countries affected by it. Economic losses due to war include infrastructure damage, decreased production, inflation, increased unemployment, and decreased investment.

The impact of the India vs Pakistan War is also certain to increase uncertainty in the global financial market, the emergence of 'flight to safety', where capital flows shift to safe countries and investment instruments. Because for Indonesia, of course it will reduce foreign direct investment (FDI) inflow and increase pressure on the exchange rate. This adds complications to monetary and fiscal management which are currently very challenging, especially due to large maturing debts and the state budget deficit.

- The India vs Pakistan war is also certain to increase uncertainty in the global financial market.
- Increase pressure on the exchange rate and add complications to monetary and fiscal management, which are currently very challenging, especially due to large maturing debts and the state budget deficit.

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