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GEOIntelligence

Executive Summary Report

India and Pakistan are once again in crisis and perhaps on the cusp of a war, and once again, it centers on the disputed Kashmir region. This report will highlight the “so what” with India’s and Pakistan’s long-standing friction, and within that, how Kashmir continues to be a potential flashpoint, as well as the role the U.S. plays in the region, and the big picture economic implications.

Background:

Kashmir is an isolated region, trapped between the two largest mountain ranges in the world, the Himalayan and Karakoram ranges. From antiquity to today, Kashmir is renowned for its moderate climate and beauty.

For centuries, India, Kashmir, Pakistan, and many other states were collectively called “India.” After centuries of expansion by Britain’s East India Company, by 1858, India was firmly in the British Empire. As Britain’s hold on its empire crumbled after the end of World War II, India was the first colony to gain independence. The British, though well-intended, did not do the region any favors as they partitioned India. The scheme was to create a new state, Pakistan, that would be largely Muslim, and for India to retain the bulk of territory with most of its people largely Hindu (but with a significant Muslim minority). Several of India’s leaders cautioned against this, nevertheless, the British rulers stuck to their plan, and with the Indian Independence Act of 1947, India and Pakistan became independent. Once the partition began, 15 million or more people were immediately displaced as they moved from one side to the other, and with much violence – estimates range from half a million killed to two million. This violent history forms the basis of decades of conflict and unrest between Pakistan and India, along with deep religious and ethnic group differences.

In the partition plan, several of the regions known as “Princely States” were allowed to cede to India, Pakistan, or to remain independent – this included Kashmir. For purposes of brevity, this report will refer to the region in question as simply Kashmir, though it is three states, Kashmir, Jammu, and Ladakh. Initially, the Maharaja of Kashmir wanted to remain independent, but after an invasion from the west by tribesmen supported by Pakistan, and realizing that independence was not a possibility, the Maharaja desired accession to India, but with one request. The request was that once the situation stabilized, a “plebiscite” (a determination of self-rule) would be held; India accepted. Indian forces entered Kashmir and secured about two-thirds of the region after heavy fighting with Pakistan, retaining the other one-third.

However, India never followed through with promises to hold a plebiscite, knowing that the outcome would favor Pakistan.



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The United Nations (UN), new on its feet, tried to bring stability to Kashmir. Beginning in 1948, the UN attempted to mediate the dispute, eventually adding military observers. By 1951, the UN Security Council (UNSC) established the UN mission that continues today, called United Nations Military Observer Group India and Pakistan, or UNMOGIP. While it is better to have the UN mission in Kashmir than not, neither the mission nor the UN writ large are power players in the Kashmiri issue.

Not only is the Kashmir region disputed by India and Pakistan, but China lays claim to the northern areas. China and India fought a brief war in 1962, with China securing its territorial aims (about 20 percent of the region), followed by a cease-fire. While China and India have had several border skirmishes, even some recently, since 1962, none occurred in Kashmir – both sides seem comfortable enough with the status quo, at least in Kashmir.

Two Major Wars:

In 1965, probably as a diversion to a broader attempt to push India out of Kashmir, Pakistan initiated a border clash at the Rann of Kutch in the south, later launching attacks directly into Kashmir. Pakistan withdrew to its original lines about three weeks later after a military stalemate and because of UNSC pressure.

In 1971, hostilities again broke out between India and Pakistan. As is the norm, Pakistan initiated attacks on India. The Indians this time decided to retaliate more boldly, as East Pakistan, physically separated from Pakistan by about 1,000 miles, was vulnerable to being overthrown. India stoked the flames of civil war in East Pakistan. As the civil war intensified, Indian forces went into East Pakistan and quickly gained the upper hand. By the time the war concluded, Pakistan lost its eastern province, which became the new nation of Bangladesh.

After the war, in 1972, India and Pakistan signed an agreement, the “Simla Agreement,” defining a Line of Control (LOC) in Kashmir, which, with minor deviations, followed the same course as the ceasefire line established in 1949. This was helpful in that at least both sides agreed upon a common boundary dividing Kashmir, but it did little to resolve the dispute.

Terrorism:

Perhaps after the success of the Afghan mujahideen that ousted the Soviets from their country in 1989, in the same year, an insurgency developed in the areas of Kashmir held by India. India’s heavy-handed treatment of the Muslim population certainly contributed to the uprising, along with India not holding a vote for self-determination as they had promised.

Pakistan’s military regulates Pakistan’s intelligence agency, called Inter-Services Intelligence (ISI). Just as ISI aligned and supported the terror group Taliban in Afghanistan, ISI did the same with terror groups in Kashmir. ISI still directly funds and supports terror activities in Kashmir. But, it is murky exactly how much ISI controls or directs terror activities in Kashmir. There are many Muslim terror groups in Kashmir, with the largest being Lashkar-e-Taiba (LeT, “Army of the Pure”). LeT’s objectives are to liberate Kashmir from India’s control, then ultimately to liberate the whole of India and bring it under Muslim control. ISI supports LeT, even sending ISI volunteers into Kashmir to fight. Another terror group, Jaish-e-Mohammed (JeM, “Army of Mohammed”) was probably created by ISI to support the insurgency in Kashmir. JeM’s goal is to integrate Kashmir into Pakistan. Since 2001, the United States has included JeM and LeT on its list of terror organizations.

Executive Summary Report

May 7, 2025
Page 3

Like ISI, sometimes Pakistan's Army also acts as a free agent. In May 1999, "infiltrators" who were Pakistani soldiers crossed from the LOC into the Indian side near Kargil. It is believed that the attack did not have Pakistan's national-level leadership approval. The Indians were caught off guard, but counterattacked. Within a couple of months, the militants were pushed back across the LOC, but with significant Indian losses.

With the 911 attacks on the World Trade Center and the Pentagon, world attention greatly heightened on terrorism. Both India and Pakistan attempted to gain a political advantage after 911. India had U.S. moral support in combating terrorism, whereas Pakistan was in a strategic position to assist the U.S.-led coalition forces in Afghanistan and attempted to garner U.S. support for political mediation over the Kashmiri issue.

In December 2001, terrorists attacked the Indian Parliament Building. India pinned the attack on LeT and JeM, pointing out that both are supported by Pakistan. As tensions rose, India and Pakistan mobilized their military forces along the LOC in Kashmir. Then, in May 2002, Kashmiri militants killed over 30 Indians in a military camp, resulting in increased demands by Indian politicians for action. The crisis reached a peak over the summer of 2002, with Indian rhetoric and military readiness on a war footing. Pakistan decreased support to the Kashmiri militants, largely as a result of U.S. pressure and mediation efforts. Things slowly settled down, and by May 2003, both sides resumed normal diplomatic relations and reduced their forces along the LOC.

With the ongoing war on terror, attacks slowed in Kashmir. But this was temporary. In 2008, LeT carried out dramatic attacks in Mumbai, India. Over four days, 12 separate shooting and bombing attacks killed 175 people, with another 300 injured. After the investigation, it was clear that LeT conducted the attacks with evidence of ISI support.

More attacks followed in Kashmir. In 2016, an attack by JeM killed 19 Indian soldiers, injuring up to 30. Then in 2018, JeM attacked the Sunjuwan Military Station, killing 6 soldiers and 1 civilian, with 20 injured. In 2019, JeM attacked once again, killing 40 police officers.

Another interesting development occurred in 2019. Previously, the Kashmiri portions held by both India and Pakistan were semi-autonomous, meaning that the regions were not completely governed by either side, allowing for limited self-governance. This left open the possibility that at some point, governance could transition and integrate. The Pakistanis believed this was advantageous for them, since if a plebiscite were held, the outcome would almost certainly declare the region to be under Pakistan's sphere of influence. Due most likely to the continued terror attacks in the Indian-held portion of Kashmir, in 2019, India revoked its semi-autonomous status. Thus, India's portion of Kashmir was no longer an exception to Indian rule, its portion was now fully under India's constitution and under India's Parliament. Soon thereafter, India strengthened its grip on Kashmir, with curfews and harsher treatment of its population. Pakistan responded viscerally, also issuing a formal map that incorporates the Indian-held portion into Pakistan.

Attacks of Apr. 22, 2025 and Subsequent Events:

Two weeks ago, on April 22, in the Kashmiri resort area of Baisaran Valley, terrorists killed 26 Hindus on vacation, with about 20 injured. An offshoot group of LeT claimed responsibility, then it recanted.

India claims Pakistan's direct involvement of which Pakistan denies. But India is taking this attack very seriously, and it has escalated tensions. India closed its borders with Pakistan, expelled Pakistani diplomats, and has now upped the ante with the economic lever of national power, with the suspension of the Indus Waters Treaty. Apparently, it will take months to years for India to modify the water basin so as not to hurt India's interests, but India's stated long-term goal is that Pakistan will not get one drop of water from this critical water basin.

The Indus system of waters supports about 75 percent of Pakistan's agriculture. In addition, 25 percent of its electricity comes from hydroelectric production from the Indus waters. India certainly understands the extent to which Pakistan needs the Indus. Compounding the effect on Pakistan is that it has suffered water shortages for more than 20 years, and the situation worsens each year due to its unregulated and harmful farming practices. Farmers have drilled more than one million deep water wells for flood irrigation. The wells deplete the aquifers, and because there is not enough fresh water to refill them, brine is drawn into the aquifers, rendering them less useful for drinking and farming. Flood irrigation is hugely wasteful and adds to the rapid rate at which the aquifers are depleted. This is a vicious, self-defeating cycle. As time goes on, these problems will also increasingly impact the wealthier areas in Pakistan, such as Punjab, Singh, etc, creating internal stress.

Pakistan has stated that if its water access is cut off, it is an act of war. The impacts on Pakistan cannot be underestimated if it loses access to the Indus waters, which could be existential. Pakistan suspended the Simla Agreement (which binds the two countries to resolve disputes bilaterally/peacefully), which might suggest it no longer respects the LOC as a boundary. Pakistan also cut off all air traffic with India – India reciprocated soon after. Small-scale border clashes along the LOC are now active – time will tell where this goes.

Overall Assessment of Antagonists:

India is a democracy with a strong economy (fourth largest in the world, tied with Japan), and with the world's largest middle class in terms of numbers. India is clearly the dominant power when compared to Pakistan, with a population about six times that of Pakistan (second only to China), and with a superior military. Perhaps early after the partition of 1947, India may have wanted to annex or re-incorporate Pakistan into Greater India, but that is no longer the case. India sees Pakistan as a quarrelsome, yet dangerous, third-class neighbor. Strategically, India sees China as its main threat. For example, India became a nuclear power in 1974, not to counter Pakistan, which did not yet have nuclear weapons, but to counter China. In terms of Kashmir, India is far from innocent. It promised several times to hold a vote for self-determination of Kashmiris in its occupied areas – but India never will, as mentioned earlier, because such a vote would greatly favor the Pakistanis. Further, India treats the Kashmiri people harshly, especially the Muslim majority. India largely bars media from Kashmir, but some believe that over 10,000 Muslim Kashmiris may have been killed by India's heavy hand, with several thousand Hindus killed in retaliation by Muslims. India, with its many advantages over Pakistan, will continue its grip on its portion of Kashmir, possibly increasing it. As for exporting terrorism, India's top concern about Pakistan, India does not have completely clean hands, as it is supporting at least one terror group in Afghanistan that counters Pakistan. That said, India's support to terror groups pales in comparison to what Pakistan does.

Pakistan claims to be a democracy, but while there is an elected government, the military holds an unofficial, yet very powerful sway over the elected government's decisions, including its foreign policy. The military also controls ISI. To retain its power over the elected leadership, the Pakistani military needs a villain, and that villain is India. Thus, Pakistan provokes India periodically and then tells Pakistanis that the military will come to the rescue. Thus, Pakistan is paranoid about India and treats India as an existential threat, though as mentioned earlier, the Indian threat is not that extreme. Pakistan has been the primary aggressor in wars and skirmishes with India, instigated by either the Pakistani military or its proxies. Pakistan was either defeated or stalemated in all of them. Its main advantage in the Indian-held portion of Kashmir is insurgency and terrorism, with these being the primary cards that Pakistan has in its hand. Yet, this comes with risks, as the groups Pakistan supports are internationally condemned. It is also unknown the extent that Pakistan's national leadership directs the terror groups in Kashmir. Regardless, it will be held accountable because it is widely accepted that there is a connection. Just like Iran can sometimes get overextended by supporting its proxies and malcontents in the Middle East, the same phenomenon is true with Pakistan. Of note, with great expense, condemnation, and sanctions, Pakistan attained a significant nuclear weapons capability, most likely as a deterrent to an invasion by India. Some assess that Pakistan's nuclear forces are more numerous and, in some ways, more capable than India's nuclear forces.

The United States:

The U.S. had and still has complex histories and relationships with both antagonists.

Regarding Pakistan, during the Cold War, the U.S. largely sided with it due to Pakistan's strategic position near the Soviet Union, where U.S. stations would collect intelligence on the Soviets, also using Pakistan to stage spy planes to collect intelligence in flights over the Soviet landmass. The U.S. also armed Pakistan. Pakistan's importance grew in the 1980s, as Pakistan was an important entry point for U.S. military aid to support the Mujahideen in a proxy war against the Soviet Union. But after the Cold War, U.S. interest in Pakistan waned, later becoming almost a pariah to the U.S. with Pakistan's clandestine nuclear weapons program. Then once again, U.S. interest in Pakistan peaked in the War on Terror, with Pakistan on one hand supporting U.S. efforts to combat terrorism, but on the other, continuing to support the Taliban in Afghanistan. It was very embarrassing to Pakistan when the U.S. located and killed Osama bin Laden, who was hiding in plain sight in Pakistan. Though Pakistan continues to fight internal terror groups that the U.S. applauds, its support for terror groups in Kashmir that are on the U.S. terror list, is problematic for Pakistan.

With India, during the Cold War, while it declared itself to be non-aligned, it leaned more toward the Soviet side, especially regarding getting its armaments. After the end of the Cold War, U.S. interest increased primarily due to India's major economy and potential for growth. As mentioned earlier, during the War on Terror, common ground was found in combating terrorists, including groups in Kashmir. The U.S. and India have significant trade and will remain a market that could grow over time. At the same time, India counters U.S. interests with its leadership in BRICS+ (the "I" in BRICS is India). It is one of the key leaders of the Global South, a large group of over 130 nations, many of which are vulnerable to China's attempts to curtail U.S. power and influence. Similarly, India (along with China and others) continues to undermine Western sanctions against Russia as a result of the Ukraine-Russia War, and buys large quantities of heavily discounted oil, directly aiding Russia's war efforts.

Economic Implications:

At this point, large-scale conflict, while possible, is unlikely. These two nuclear-equipped states are the exception to the “nuclear powers do not fight head-to-head” rule. Despite frequent skirmishes, they have managed not to escalate to the level of major conflict level since Pakistan joined India as a nuclear-capable state in the late 1990s.

How this develops is largely in the hands of India’s leaders. With the exception of the Indus Water Treaty suspension, India’s response thus far appears to be similar to crises in the past. Some observers believe India’s continued use of diplomatic measures suggests a response less than full-scale conflict. That said, threats such as “no drop of Indus River’s water reaches Pakistan” will have devastating impacts on about 75 percent of Pakistan’s farms, as well as hitting electricity generation hard, and could significantly damage the Pakistani economy. While it would take years to make good on this threat to cut off the water, this would be a major escalation and again, according to Islamabad, would be tantamount to an “act of war.” India’s use of the diplomatic and economic levers of national power to isolate or hurt Pakistan due to its support of terror groups could go beyond threats to cut off water. India may attempt to damage Pakistan’s access to the International Monetary Fund and other sources of international support. Moves such as these, while not a military escalation, are certainly not “business as usual,” and Pakistan would likely respond. Pakistan’s challenge is that it has limited tools to respond, except for military options.

India is a key member of BRICS and a “friend” in the Global South. The Kashmir situation is potentially another alignment test in global power competition.

Russia leans towards India in the Pakistan-India crisis because of Indian arms, and more recently since the Ukraine-Russia War, oil sales. As mentioned earlier, India continues to undermine Western sanctions against Russia and buys large quantities of heavily discounted oil, directly aiding Russia’s war efforts.

China leans toward Pakistan because of its ongoing tension with nuclear-armed India. It is quite happy to have India distracted by Pakistan. China also supports Pakistan’s desire to internationalize the conflict. Despite China favoring Pakistan, India’s second-largest trading partner is China, and India is a significant importer of Chinese goods.

For a change though, Russia, China, and the U.S. have one common goal regarding the Kashmiri crisis – that is to prevent a nuclear war. This is one of the few areas where the three nations work together.

The U.S. historically waffles back and forth and has been very transactional with both India and Pakistan, but is now leaning more toward India than Pakistan. India is of strategic economic importance to the United States. According to the U.S. Census Bureau, India has a significant trade surplus with the U.S. driven by textiles, electronics, machinery, pharmaceuticals, and auto parts. The U.S. is India’s largest trading partner, whereas India is the United States’ seventh-largest trading partner. As such, any significant national security threat, distraction, or disruption to India would have a significant impact on the U.S. economy and corporate operations.

U.S. corporations have invested and continue to invest in India in the technology, financial services, and consulting sectors to expand and outsource operations to a highly competent and cost-effective workforce.

India may offer U.S. companies an option to reduce risk in supply chains. Many U.S. corporations have been evaluating their supply chain risk concentration with China. There is an idea that a “China plus one” strategy for their supply chain with India could be a key potential consideration for the “plus one” country (in this case, India), even with the known risk of potential repackaging of Chinese goods for export to the U.S.

The key economic implication for U.S. corporations relative to India is understanding its current risk profile for supply chain and operations in India while assessing new investments to derisk from Chinese supply chains.

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