

Money, Military and Markets-X

Trouble in Pakistan – Is CPEC over?

- Security issues in Balochistan & KPK threaten the viability of CPEC, making its investment a sunk cost and reducing the incentive for a conflict with India.
- Pakistan may escalate border tensions with India through infiltration to divert attention from its internal turmoil, increasing the risk of air skirmishes.
- To maintain escalation control, India needs air superiority over Pakistan, with the Su-57 emerging as a viable option due to integration challenges with F-35.

Balochistan and KPK in Pakistan are in trouble - CPEC is in danger

The China-Pakistan Economic Corridor (CPEC) was launched with much fanfare and was expected to be a game-changer for China's trade security, its ability to threaten India's energy security (through access to Gwadar Port), and its strategic presence in India's immediate neighbourhood by providing docking space for nuclear-powered submarines. However, Pakistan appears to have lost control over security in Balochistan—perhaps for the first time in history, a train has been hijacked. At the same time, Khyber Pakhtunkhwa (KPK) has been a hotspot for Tehreek-e-Taliban Pakistan (TTP) activities for years. The group's resurgence, particularly after the Taliban takeover in Afghanistan, has led to increased attacks on security forces, government officials, and civilians in the province. After passing through PoK, CPEC enters Pakistan through KPK and ends in Balochistan at Gwadar. China has invested US\$25bn in this route, but these terrorist attacks make trade through CPEC impossible. Furthermore, docking high-value naval assets in a region would be self-destructive, as a few Baloch fighters could potentially infiltrate the port and destroy it. It is not unforeseeable that China may eventually write off CPEC as a sunk cost.

India-China border tensions may ease

One must view the Galwan incident in the context of CPEC passing through Pakistan-occupied Kashmir or PoK, India's attack on Balakot, and the abrogation of Article 370 of the Constitution, which altered the status quo in Kashmir. China wanted to signal to India that there would be consequences if something like Balakot were to happen in PoK again or if India decided to annex the region—an action that would have effectively ended its Belt and Road Initiative (BRI) and CPEC projects. However, with CPEC increasingly looking like a sunk cost, China has little incentive to engage in a conflict with India's battle-hardened soldiers in the harsh Himalayan terrain. Ukraine has demonstrated that no matter how advanced a country's military technology may be, ultimate victory still requires boots on the ground.

Pakistan may increase infiltration in India; air skirmishes may rise

Historically, Pakistan has often escalated tensions with India during periods of internal strife. In recent years, a full-scale conventional war is beyond Pakistan's capability, but a well-executed terror attack or border skirmish could be sufficient to re-ignite India's concerns and fuel paranoia about the Research and Analysis Wing or RAW's involvement in Pakistan. This, in turn, would help unite Pakistanis under a nationalist agenda, diverting attention from domestic turmoil. Any future terror attacks in India linked to Pakistan-based groups could trigger Indian retaliation. The Kashmir region remains a flashpoint, with both sides maintaining a heavy military presence. The Balakot airstrike demonstrated that a limited air battle, followed by de-escalation, is a possible scenario.

India needs air superiority over Pakistan soon and SU-57 fits the bill

Winning a propaganda war is a necessity for Indian government as well and what's the best way to win it than 2-3 downed F-16s or JF-17s of Pakistan. However, escalation control remains in the hands of the Indian government. But, to realize this dream, India needs multiple squadrons of 4.5 or 5th-generation aircraft. Two squadrons of Rafales are not enough, as in the case of air skirmishes with Pakistan, India will also need to defend the eastern border. The possibility of India purchasing Russian Su-57 fighter jets under a government-to-government (G2G) deal has the highest likelihood. F-35 will become a headache as it won't integrate with current systems.

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Trouble in Balochistan

Balochistan is the largest province in Pakistan, covering an area of approximately **347,190** sq.km. It has a population of around 18m, with the indigenous Baloch population accounting for about 6m. The region was annexed by Pakistan in 1948, and since then, there have been sporadic agitations for an independent Balochistan. However, in recent times, Pakistan's economic turmoil and the central government's weakening grip on internal security have reinvigorated the Baloch freedom movement. This resurgence has led to widespread violence, posing a significant threat to the viability of CPEC.

Balochistan - the largest province of Pakistan ►

Balochistan, the largest province of Pakistan by land area, makes up nearly 44% of the country's total land area but has the smallest population among the provinces. The provincial capital is Quetta.

Balochistan is rich in natural resources, including coal, natural gas, and minerals, and has a strategic coastline along the Arabian Sea, including the Gwadar Port, which is a key part of CPEC. However, the province faces challenges such as economic underdevelopment, water scarcity, and security issues.

Balochistan was annexed into Pakistan in 1948, laying the foundation for the ongoing separatist movement ►

Balochistan was annexed by Pakistan in 1948. Before that, it consisted of several princely states, the most prominent being Kalat, along with Makran, Las Bela, and Kharan.

- **British rule & independence (pre-1947)**
 - A. Balochistan was not a single unified entity but a mix of directly administered British areas and princely states.
 - B. Kalat State, the most significant part, had a treaty with the British, recognizing its semi-independent status.
- **August 1947 - partition of India**
 - A. When Pakistan was created, some parts of Balochistan (like British Balochistan) were incorporated into Pakistan.
 - B. Kalat State, however, initially chose to remain independent.
- **March 1948 - pressure from Pakistan**
 - A. The Kalat State ruler (Khan of Kalat, Mir Ahmad Yar Khan) initially resisted joining Pakistan. Pakistan exerted political and military pressure on Kalat.
 - B. On 27 Mar 1948, Kalat's State's ruler finally agreed to merge with Pakistan, though some local leaders opposed this move.

Aftermath

- A. Many Baloch nationalists view this annexation as forced and have called for greater autonomy or even independence.
- B. Since then, there have been multiple insurgencies and conflicts between Baloch nationalist groups and the Pakistani state.

Balochistan is rich in natural resources and is home to one of the most strategic projects in West Asia—the Gwadar Port ▶

Balochistan is rich in natural resources and is home to Gwadar Port, one of the most strategic projects in West Asia and the Indian Ocean region. Balochistan has significant deposits of:

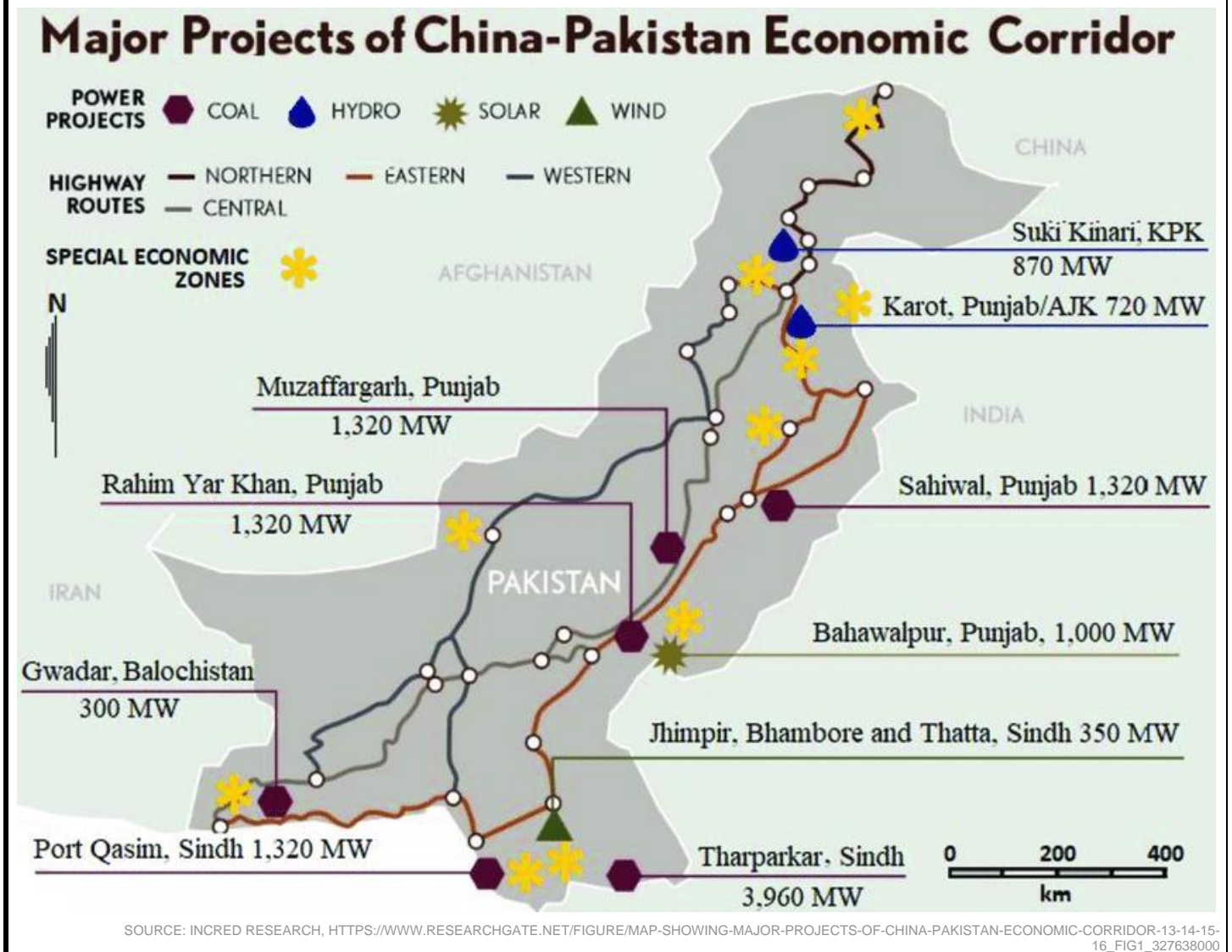
- A. **Natural gas** – The Sui gas field, discovered in 1952, supplies a major portion of Pakistan's gas needs.
- B. **Coal** – Found in areas like Duki, Chamalang, and Mach.
- C. **Gold & copper** – The Reko Diq mine is one of the world's largest gold and copper reserves
- D. **Chromite** – Mainly found in Muslim Bagh and Khanozai.
- E. **Oil & uranium** – Some exploration activities have taken place.

Gwadar Port - The Strategic Hub- Situated on the Arabian Sea, near the Strait of Hormuz, a vital global oil trade route. Close to Iran, the Middle East, and major maritime trade routes. Gwadar Port is a key project of the China-Pakistan Economic Corridor (CPEC). It gives China access to the Arabian Sea, reducing its reliance on the Malacca Strait.

In fact, the entire CPEC was designed by China to gain access to Gwadar Port ▶

A major strategic objective of CPEC was to provide China with direct access to the Arabian Sea via Gwadar Port. This allows China to bypass the longer and more vulnerable sea route through the Strait of Malacca, reducing its dependence on shipping lanes controlled by the US and its allies. Gwadar gives China a key logistics and trade hub close to the Middle East and Africa, facilitating energy imports and trade while also strengthening its geopolitical presence in the Indian Ocean.

Figure 1: The CPEC has multiple power plants along the highway; however, the key objective remains to reach Gwadar from Khaksar in China

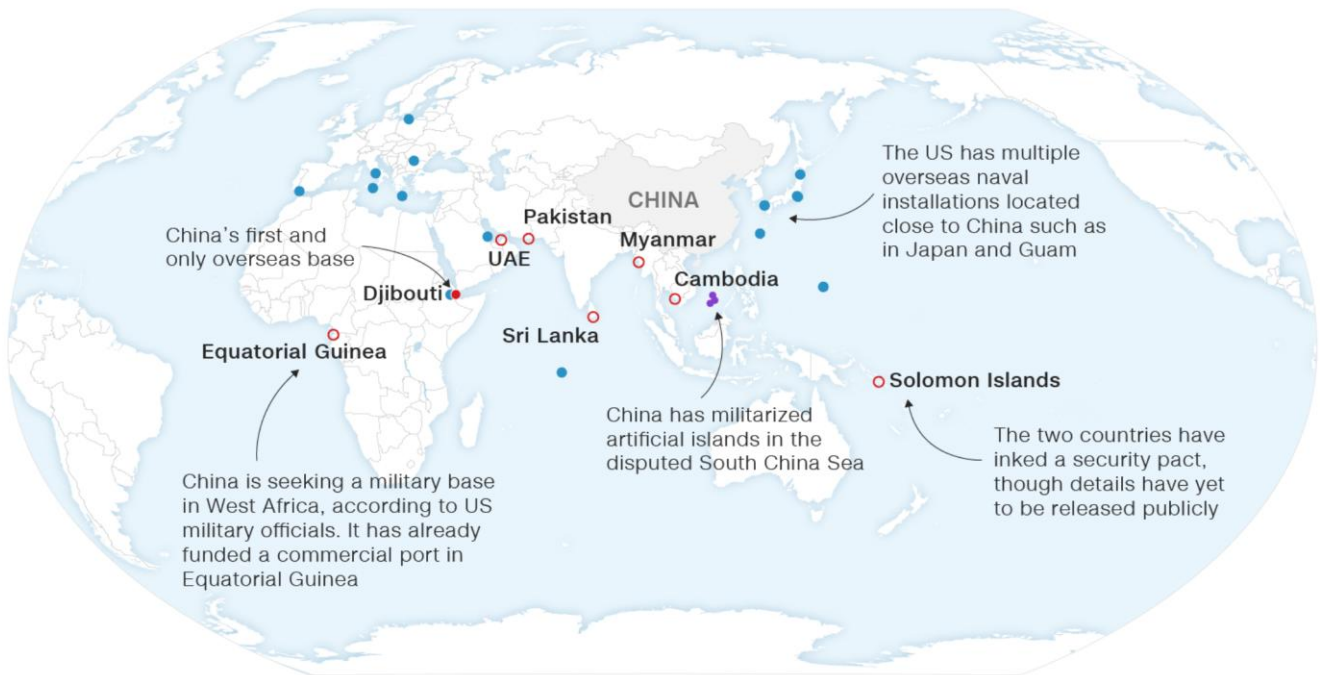


China has been docking its submarine and naval ships at Gwadar Port in the recent past ➤

China has been increasing its naval presence at Gwadar in recent years, particularly in the context of the broader geopolitical strategy tied to CPEC. Gwadar's location, which lies at the entrance of the Persian Gulf, provides China with a strategic foothold in the Indian Ocean region. This is important for securing its maritime trade routes and for enhancing its naval presence in a critical geopolitical area. The docking of Chinese submarines and naval ships at Gwadar could be seen as a part of China's long-term objective to expand its military influence in the region. This presence aligns with China's broader maritime strategy, often referred to as the 'String of Pearls', which aims to establish a network of military and commercial facilities stretching from the South China Sea to the Arabian Sea.

Figure 2: While China has not fully militarized the Gwadar Port; however, it's an important area for them as it is near their military base in Djibouti

- Chinese naval base ○ Potential areas of interest for future bases ● Militarized artificial islands
- US overseas naval base



Sources: Commander, Navy Installations Command, US; Foundation for Defense of Democracies; Ministry of National Defense of the People's Republic of China; US Department of Defence; AidData
Graphic: Lou Robinson, CNN

[HTTPS://EDITION.CNN.COM/2023/09/01/ASIA/CHINA-NAVY-OVERSEAS-MILITARY-BASES-INTL-HNK-ML/INDEX.HTML](https://edition.cnn.com/2023/09/01/asia/china-navy-overseas-military-bases-intl-hnk-ml/index.html), INCRED RESEARCH

China has invested ~US\$25bn in CPEC ➤

China has invested around US\$25bn in completed projects under the China-Pakistan Economic Corridor (CPEC) so far. The total planned investment was initially projected at US\$62bn, but progress has slowed in recent years due to economic, security, and political challenges. The breakdown of China's Investment in CPEC is as follows:

- Energy Projects – Around US\$19bn. Coal, hydro, solar, and wind power projects. Key plants include the Sahiwal Coal Power Plant, Port Qasim Power Plant, and Hub Coal Power Project.
- Infrastructure Projects – Around US\$6bn. Highways, motorways, and railways (e.g., Karakoram Highway expansion).
- Gwadar Port development and airport construction.
- Special Economic Zones (SEZs) – A part of future investment plans.

Targeting by Baloch fighters has the potential to render this investment useless ➤

Balochistan Liberation Army (BLA) and other Baloch separatist groups have strongly opposed Chinese involvement in **Gwadar** and broader **CPEC** projects. They see China's presence as an extension of Pakistan's control over Balochistan, which they believe exploits local resources without benefiting the Baloch people.

BLA's attacks on Chinese Interests in Gwadar:

- A. **Aug 2018** – BLA attacked a convoy of Chinese engineers near Dalbandin.
- B. **May 2019** – Gunmen from BLA attacked the **Pearl Continental Hotel in Gwadar**, a location often used by Chinese personnel.
- C. **Aug 2021** – A suicide bomber targeted a Chinese convoy near the **East Bay Expressway** in Gwadar.

- D. **Sep 2022** – Another attack targeted Chinese workers in Gwadar.
- E. **Jul 2023** – BLA carried out an attack on security forces protecting Chinese projects.

Why is the BLA targeting China?

- A. **Perceived exploitation:** Baloch groups argue that China and Pakistan are extracting Balochistan's resources (gas, minerals, Gwadar Port) without providing economic benefits to locals.
- B. **Demographic shift fears:** Baloch nationalists believe CPEC could bring non-Baloch settlers, reducing Balochistan's ethnic identity.
- C. **Security crackdown:** Pakistan's military has increased its presence in Balochistan to secure CPEC, which has led to resentment among locals.
- D. China is increasingly concerned about **Gwadar's security**, and Pakistan has deployed a **special security force of 15,000+ personnel** to protect CPEC projects. However, repeated attacks show that the security situation remains fragile, making Chinese investors and workers uneasy about further engagement in the region.

Three days ago, BLA hijacked a train which was filled Pak army men who were going on leave to celebrate the holy month of Ramadan ➤

On 10 Mar 2025, militants from Balochistan Liberation Army (BLA) hijacked the Jaffar Express passenger train in Balochistan, Pakistan. The train, carrying approximately 450 passengers—including military personnel travelling in the holy month of Ramadan—was attacked when militants blew up the tracks, forcing it to stop inside a tunnel.

BLA claimed responsibility for the attack, demanding the release of Baloch political prisoners and threatening to execute hostages if their demands were not met.

Multiple Baloch groups have come under the umbrella organization, BARSA, to fight Pakistan government ➤

Baloch Raji Aajoi Sangar (BRAS) is an alliance of Baloch insurgent groups, including the Balochistan Liberation Army (BLA), Balochistan Liberation Front (BLF), and Baloch Republican Army (BRA), formed to intensify resistance against the Pakistani state.

Tehreek-e-Taliban Pakistan (TTP) is the risk to CPEC in Khyber Pakhtunkhwa (KPK)

Khyber Pakhtunkhwa (KPK) has been a hotspot for Tehreek-e-Taliban Pakistan (TTP) activities for years. The group's resurgence, particularly after the Taliban takeover in Afghanistan, has led to increased attacks on security forces, government officials, and civilians in the province.

The tribal belt and areas near the Afghanistan border—such as North Waziristan, South Waziristan, Bajaur, and Kurram—have seen heightened TTP activity. Peshawar, the provincial capital, has also experienced major terrorist incidents.

The Pakistani military has conducted multiple operations, but the TTP has exploited border areas and safe havens in Afghanistan to regroup. If instability continues, KPK could face further economic and security challenges.

TTP wants to establish an Islamic emirate in Pakistan ➤

The Tehreek-e-Taliban Pakistan (TTP) aims to establish an Islamic emirate in Pakistan, modelled after the Afghan Taliban's rule. The group has openly declared its goal of implementing Sharia law across Pakistan, rejecting the country's existing political and legal system.

- A. The TTP views the Pakistani state as illegitimate and wants to replace it with an Islamic system based on their interpretation of Sharia.

- B. The group seeks to establish a stronghold in KPK and the former FATA (now merged with KPK), using these areas as a base for operations.
- C. While the Afghan Taliban has distanced itself from TTP's activities in Pakistan, there are ideological and historical ties between them.
- D. The TTP frequently targets security forces, government officials, and civilians through bombings, assassinations, and ambushes.
- E. Despite Pakistani military operations such as Zarb-e-Azb (2014) and Radd-ul-Fasaad (2017), TTP has regrouped, particularly after 2021, with safe havens in Afghanistan and increasing attacks in KPK and Balochistan. The situation remains a major security challenge for Pakistan.

TTP and BARSAs have different agendas; however, they sometimes unite to fight against their common enemy i.e. Pakistan state ➤

There are reports suggesting increased **coordination** between Baloch separatist groups and Tehreek-e-Taliban Pakistan (TTP), but no formal alliance has been publicly declared. However, intelligence sources and security analysts have indicated that both groups have **common interests** in fighting the Pakistani state, which has led to some level of tactical cooperation.

- A. Both TTP and Baloch insurgents see the Pakistani military and government as their primary adversary.
- B. There have been unconfirmed reports of limited cooperation, such as logistical support and sharing of safe havens, especially in areas near the Afghanistan-Pakistan border.
- C. The situation in Afghanistan has emboldened militant groups, with TTP benefiting from a more permissive environment under the Taliban rule, while Baloch groups continue to receive external support.

It would be a nightmare for Pakistan if TTP and BARSAs start cooperating actively ➤

If the **Baloch separatist groups** and **Tehreek-e-Taliban Pakistan (TTP)** were to form a stronger alliance, it would significantly alter the security landscape in Pakistan, creating new challenges for the state. Here's a breakdown of the potential **security implications**:

1. Escalated insurgency and militancy

- **Increased attacks on security forces:** A coordinated campaign between TTP and Baloch groups could lead to more frequent and sophisticated attacks on military installations, checkpoints, and law enforcement.
- **Hybrid warfare tactics:** The groups may combine their strengths to conduct complex multi-front attacks, using guerrilla tactics, ambushes, and bombings to destabilize key regions. This could overwhelm local security forces, forcing them to divert resources from other areas.

2. Wider geographic reach

- **Cross-border operations:** Both groups could expand their operations, utilizing safe havens in Afghanistan or other remote areas along the border. With Afghanistan's porous borders and Taliban's limited control over insurgents, this could allow militants to move freely between countries.
- **Balochistan's strategic importance:** Balochistan is crucial due to its proximity to the Gulf region and the **China-Pakistan Economic Corridor (CPEC)**. Any rise in attacks from Baloch separatists targeting Chinese investments and CPEC infrastructure could strain Pakistan-China relations and hurt Pakistan's economy.

3. Impact on national unity

- **Provincial fragmentation:** The alliance could deepen the divide between Pakistan's provinces. In Balochistan, where the demand for independence is already strong. The coordination between TTP and Baloch insurgents may

encourage further anti-state sentiment and lead to larger protests or even violence.

- **Sectors under threat:** The state's ability to maintain control could be compromised, especially in areas like **Khyber Pakhtunkhwa (KPK)**, **Balochistan**, and **FATA**, all of which are already plagued by insecurity and militant activity. The alliance might embolden local groups in these regions to escalate their activities, destabilizing these critical areas.

4. Increased recruitment and radicalization

- **Ideological symbiosis:** While TTP is focused on establishing an Islamic emirate, the ideological divide between the Taliban's Sunni extremist goals and Baloch nationalist goals is significant. However, shared frustration with the state could foster recruitment across these groups, attracting new fighters from local populations disillusioned by state repression.
- **Youth radicalization:** The alliance may tap into disenfranchised youth across both Balochistan and KPK, increasing the pool of fighters willing to join militant groups. This could perpetuate cycles of violence and further destabilize local economies.

5. Complicated security responses

- **Complex security operations:** Pakistan's military and intelligence agencies may struggle to deal with the combined threat from both TTP and Baloch insurgents, as their operations and targets would require different tactical responses. The military's already stretched resources might be unable to effectively counter both threats simultaneously.
- **Counterinsurgency challenges:** The Pakistan military's traditional approach to counterinsurgency, which is often focused on direct engagements, may not be effective against a more coordinated insurgency. A more nuanced strategy involving local intelligence, community outreach, and a robust counter-narrative would be needed.

6. International reactions and geopolitical ramifications

- **Regional destabilization:** A more powerful insurgency could destabilize the entire region. Countries like India, Iran, and Afghanistan, all with stakes in Balochistan, could be drawn into the situation, either through indirect support or diplomatic pressure on Pakistan to deal with the insurgency.
- **Global terrorism concerns:** The growing strength of a TTP-Baloch insurgent alliance could attract global attention, especially from powers focused on counterterrorism. The US and other Western nations may exert pressure on Pakistan to clamp down on both groups, especially if they begin targeting Western or foreign assets.

7. Economic consequences

- **CPEC and infrastructure attacks:** Baloch separatists have previously targeted Chinese investments and CPEC infrastructure. A unified front with TTP could bring additional attacks on critical infrastructure, especially in Balochistan and KPK. Any disruption to CPEC projects could severely affect Pakistan's economic growth and its partnership with China.
- **Impact on foreign investment:** Heightened instability could deter foreign investors from entering Pakistan, particularly in resource-rich areas like Balochistan. Local businesses could also face increased costs due to frequent security threats, leading to a slowdown in economic activities in affected regions.

8. Social and humanitarian impact

- **Displacement of civilians:** The intensification of violence would likely lead to an increase in the number of internally displaced persons (IDPs) as people flee conflict zones. This would strain the Pakistan government's resources and exacerbate humanitarian issues in already impoverished areas.
- **Increased human rights violations:** Civilians living in conflict zones are likely to face abuse from both sides. This could include forced recruitment by insurgent groups, violence against perceived collaborators, and restrictions on daily life due to military operations.

What is the end result of this? CPEC under threat, Short India – Pakistan war likely

Under threat, Pakistan military could use the easy alternative i.e a skirmish with India or increase insurgency in Kashmir >

Historically, Pakistan has often escalated tensions with India during periods of internal strife, as seen during the 1965 war and the East Pakistan crisis in 1971. In recent years, a full-scale conventional war is beyond Pakistan's capability, but a well-executed terror attack or border skirmish could be sufficient to re-ignite India's concerns and fuel paranoia about RAW's involvement in Pakistan. This, in turn, would help unite Pakistanis under a nationalist agenda, diverting attention from domestic turmoil. This may save CPEC for the time being as well.

Insurgency in Kashmir or attempts to escalate it may rise in the coming months, especially as internal instability in Pakistan grows >

With groups like TTP and Baloch separatists intensifying their activities, the Pakistani state may struggle to contain the situation. Historically, whenever Pakistan faces internal turmoil, it seeks to externalize the crisis, often by escalating tensions with India. Given the current geopolitical climate, an increase in insurgent activities or cross-border provocations cannot be ruled out.

Since India escalated its response last time with an airstrike, any major terrorist attack will have to be met with at least a similar level of retaliation >

After India's Balakot air strike in response to the Pulwama attack, the threshold for retaliation has significantly risen. Any major terrorist attack on Indian soil, especially the one linked to Pakistan-based groups, will likely prompt a response of at least the same intensity—if not stronger. This could include air strikes, precision missile attacks, or cross-border special operations. Given Pakistan's fragile internal situation, such an escalation could put immense pressure on its military and political establishment, further complicating its security challenges.

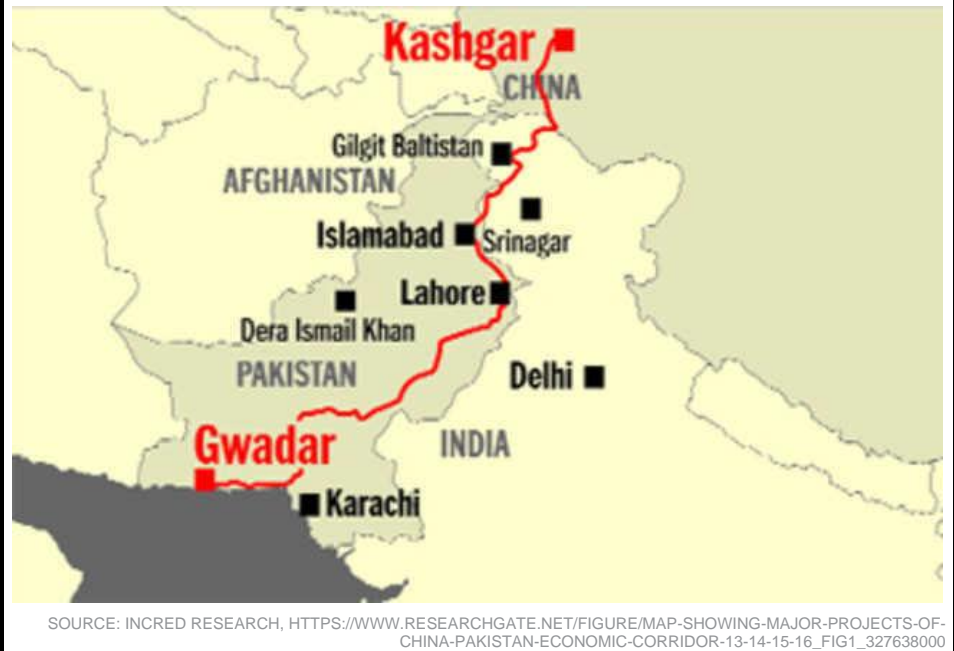
For China, it is clear that Gwadar cannot house its strategic assets, such as nuclear submarines or aircraft carriers, or even make it a preferred trade route >

Gwadar is vital for China's energy and trade corridors, but due to security issues, naval constraints, and geopolitical risks, it is not viable as a base for Chinese nuclear submarines or aircraft carriers. The question of making it as a preferred trade route is also out of question.

If Beijing regards CPEC as a sunk cost, then it will be positive for India-China relationship >

With CPEC, China would have created a trade route through Pakistan-occupied Kashmir. However, if it writes off the investment because of TTK and BLA, the immediate need to escalate tensions with India and capture a part of Ladakh to safeguard CPEC does not arise.

Figure 3: CPEC passes through Pakistan-occupied Kashmir, and India's removal of Article 370 of the Constitution in 2019, which changed the status quo, spooked Beijing, resulting in border tensions



Make no mistake, China's 'Palm and Five Fingers' dream is going nowhere; it's been put in cold storage for the time being >

The Five Fingers Policy of China is a foreign policy envisioned by its erstwhile leader Mao Zedong. He believed that while Tibet was the right hand of China, Sikkim, Arunachal Pradesh, Bhutan, Nepal and Ladakh were the 'five fingers' of its periphery and that it was China's duty to 'liberate' these areas. Although it was never discussed in official statements made by successive Chinese governments, its existence was confirmed in a provisional mouthpiece magazine of the Chinese Communist Party following the Doklam standoff in 2017.

Before Communist China laid claims over Bhutan, Nepal and Sikkim, its imperial predecessor had done the same as well in the early 1900s, citing that these territories were an extension of Tibet. The Chinese Imperial Resident in Tibet also wrote to the rulers of these territories 'that they must work together as brothers' in the face of British imperialism.

During the Chinese Civil War, Mao Zedong termed Nepal and Bhutan as tributaries of China. He made further public statements throughout the 1940s about the inclusion of the 'five fingers' into greater China.

In 1954, Chinese officers in Tibet were making statements, claiming that they would liberate Sikkim, Ladakh, Nepal, Bhutan and Arunachal Pradesh (then known as the Northeast Frontier Agency – NEFA) from 'wrongful occupation'. The claims over the 'five fingers' were asserted frequently from 1958 to 1961 over radio systems in Beijing and Lhasa. At one point in Jul 1959, Chinese Lieutenant General Zhang Guohua said the "Bhutanese, Sikkimese and Ladakhis must form a united Tibet, subject to the great motherland of China."

The immediate need for China is to unify Taiwan before the centenary of the Communist Revolution >

The unification of Taiwan is a long-standing goal for China, and the Chinese Communist Party (CCP) has increasingly prioritized it. The CCP has often emphasized the need for 'reunification' as a key part of its national agenda, with Taiwan seen as the final piece of China's territorial integrity.

The centenary of the Communist Revolution in 2049, marking 100 years since the founding of the People's Republic of China, is a symbolic deadline for many of China's political goals, including Taiwan. While there has been significant

diplomatic pressure, economic incentives, and military posturing around Taiwan, the approach to achieving reunification is complex. Taiwan's political status and its relationship with the US and other global powers add layers of difficulty to this issue.

If the CCP aims to unify Taiwan before this centenary, there are many challenges, including the potential for international conflict, economic consequences, and the possibility of Taiwan's continued resistance to unification under the terms proposed by Beijing.

US President Donald Trump's policies are making it easier for China, and its President Xi may realize his dream much before 2049 ➤

As we noted in the [IN: Money, Military and Markets-IX - Is Europe on its own? It appears so](#), China could have a clear path to using force to merge Taiwan with itself. Much of this will depend on how the Russia-Ukraine war is resolved.

Indian and Pakistani air skirmishes may become frequent in the coming decade ➤

As argued earlier, there is a strong possibility that Pakistan may resort to a terrorist strike in India to divert domestic attention to its so-called existential threat, 'India.' Any future terror attacks in India linked to Pakistan-based groups could trigger Indian retaliation. The Kashmir region remains a flashpoint, with both sides maintaining a heavy military presence. The Balakot air strike demonstrated that a limited air battle followed by de-escalation is a possible scenario.

These air skirmishes provide a great propaganda point to both nations and need best air assets to inflict more damage; India needs to buy aircraft immediately ➤

- A. Pakistan's F-16s, equipped with AMRAAM missiles, proved to be a significant deterrent to India during the air skirmish after the Balakot air strike and served as a major propaganda point for Pakistan.
- B. Had India possessed Rafale aircraft at that time, Pakistan would likely not have dared to venture near the border. Notably, during the Kargil war, Pakistani F-16s lacked BVR (Beyond Visual Range) capability, while Indian MiG-29s were equipped with 30-40km range BVR missiles. As a result, Pakistani planes never approached the conflict zone.
- C. If Pakistan acquires J-35 aircraft, there is a high potential for multiple air skirmishes and even a limited air war.
- D. India must immediately equip itself with more 4.5-generation or 5th-generation aircraft.

Winning a propaganda war is necessary for Indian government as well and what's the best way to win it than 2-3 downed F-16s or JF-17s of Pakistan? ➤

While it would be a dream for the current political dispensation, it knows fully well that Pakistan cannot sustain even two-to-three days of a full-scale war. Hence, both escalation and de-escalation remain in the hands of the Indian government. However, to realize this dream, India will need multiple squadrons of 4.5 or 5th-generation aircraft. Two squadrons of Rafales are not enough, as in the case of air skirmishes with Pakistan, India will also need to defend the eastern border.

India may buy Su-57 aircraft through a government-to-government deal, as Russia is offering some of the best terms to India; on the other hand, F-35 aircraft would cause more headaches than solutions ➤

The possibility of India purchasing Russian Su-57 fighter jets under a government-to-government (G2G) deal is an interesting development. The Su-57 is Russia's advanced stealth multirole fighter, designed to compete with the likes of F-22 and F-35. India has historically maintained strong defence ties with Russia, and the terms of such a deal could be highly attractive, given the current geopolitical situation.

Reasons why this might be appealing for India:

- Strategic partnerships:** India has long had a strategic defence relationship with Russia, particularly with systems like the Su-30MKI, the S-400 air defence systems, and other military hardware. Strengthening this relationship with advanced technology like the Su-57 could be seen as a way to counterbalance growing security concerns, particularly from China and Pakistan.
- Affordability and terms:** Russia is reportedly offering some of the best terms to India. These could include favourable financing, technology transfer, and long-term support agreements. Advanced fighter jets like the F-35, and the Su-57 may come with a more affordable price tag, which could make them more accessible for India.
- Filling gaps in capabilities:** India is aiming to modernize its air force with more advanced platforms, and the Su-57 could fill some of the gaps in its fifth-generation fighter aircraft capabilities. However, it's important to note that the Su-57 is still in the developmental phase and faces challenges related to performance and reliability.
- Geopolitical implications:** A deal for the Su-57 could further cement India's ties with Russia while also signalling a shift towards balancing its reliance on Western defence systems (like the F-35) with Russian technology.

Reasons why F-35 will not suit India:

There are several reasons why the F-35 may not be the most suitable fighter aircraft for India, despite its advanced capabilities. While the F-35 is a fifth-generation multirole stealth fighter that offers cutting-edge technology, there are some significant challenges and considerations that may make it less ideal for India's specific needs:

- High costs:** The F-35 is one of the most expensive fighter jets in the world, with a high upfront acquisition cost as well as ongoing maintenance and operational expenses. Given India's budget constraints and the need to modernize a large and diverse fleet, the costs could be prohibitive. Moreover, with India needing to maintain a large fleet of combat aircraft, including the Su-30MKI, Tejas, and other platforms, the operational costs of the F-35 might not align with India's defence spending priorities.
- Technological dependence on the US:** The F-35, as a product of the US, comes with a high degree of technological and operational control exerted by the US. This includes software, maintenance, and upgrade restrictions, and could limit India's ability to fully integrate the F-35 into its air force without US oversight. The dependence on the US for parts, software updates, and modifications could be problematic during geopolitical tensions, as seen with past restrictions on defence sales and technologies (e.g., during the Kargil conflict and the 1998 nuclear tests). The US could limit or restrict access to critical software updates or parts, thus affecting the operational readiness and life cycle of the F-35 fleet in India.
- Lack of technology transfer:** One of India's primary goals in acquiring advanced fighter jets is to gain technology transfer and the ability to manufacture and maintain aircraft domestically. While the US has offered limited technology sharing with certain allies, the F-35 program is known for its strict controls over technology transfer. India is looking for defence deals that

allow local manufacturing (like the F-16/F-21 proposal by Lockheed Martin for the Make-in-India initiative), and the lack of substantial technology transfer in the case of the F-35 could make it a less attractive option.

4. **Compatibility with existing fleet:** The F-35 is a highly advanced aircraft with specific design philosophies, especially around stealth, sensors, and avionics. Integrating it into India's existing fleet of fighter jets (including the Su-30MKI, Mirage 2000, and upcoming Tejas Mk2) could present challenges in terms of maintenance, pilot training, and interoperability. Additionally, transitioning to a fleet dominated by F-35s would require a complete overhaul of India's air combat strategies and operational planning. India has invested heavily in the development and customization of the Su-30MKI and Tejas, and the F-35 would need to be integrated into this existing ecosystem, which might be complex and costly.

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Definition:

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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