

## Geopolitical Flashpoint: Navigating Global Services Delivery Amid the India–Pakistan Escalation

### Summary

Tensions between India and Pakistan have escalated dangerously following a deadly terrorist attack in Jammu and Kashmir (India) and India's retaliatory airstrikes on targets in Pakistan and Pakistan-administered Kashmir. Pakistan condemned the strikes and responded with intensified cross-border shelling, reported downing of Indian jets, and diplomatic retaliation. The situation has triggered international concern and raised the

risk of broader conflict. While India's global services industry remains stable – with no disruptions – firms are activating contingency plans, including business continuity testing and remote work readiness. Everest Group maintains a Low-Risk rating for India but advises heightened vigilance, scenario planning, and proactive communication as the situation continues to evolve.

### Background

Tensions between India and Pakistan have escalated sharply following two major developments.

On April 22, a terrorist attack in Pahalgam, Jammu and Kashmir (India), resulted in the deaths of 26 civilians, including 25 Indian nationals and one Nepali citizen. India has accused Pakistan of supporting cross-border terrorism. Pakistan has denied involvement and called for an international investigation.

In response, on May 7, India launched airstrikes on nine sites in Pakistan and Pakistan-administered Kashmir, targeting what it described as terrorist infrastructure. Pakistan condemned the strikes as an "act of war," reported civilian casualties, and retaliated with intensified cross-border shelling and the reported downing of Indian jets. This escalation has triggered global concern, with the US, European Union, and China urging restraint.

Since the April 22 attacks, both nations have exchanged small arms and artillery fire and taken significant geopolitical steps against one another. India has suspended the Indus Waters Treaty (IWT), expelled Pakistani diplomats, shut a major border route, suspended visa services for Pakistani nationals, and launched extensive military exercises. Domestically, India has increased security across the Jammu and Kashmir region. In turn, Pakistan has suspended the Shimla Agreement, closed its airspace to Indian flights, terminated all trade with India, and expelled Indian diplomats.

These actions have intensified international concerns. Global powers are calling for a diplomatic resolution and a credible investigation, underscoring pressure on both countries to manage the situation responsibly.

### Impact on economy and long-term view

While India-Pakistan tensions are not new, this situation marks the most direct military confrontation in over 25 years. Historically, escalations have de-escalated after some time, but the current exchange – featuring direct airstrikes inside Pakistan – signals a more serious trajectory.

India’s suspension of the IWT, which allows it to restrict river water flow into Pakistan, poses major risks. Nearly 80% of Pakistan’s irrigated agriculture depends on the Indus River system. The potential impact extends to agriculture, energy generation, and overall economic stability.

Since April 22, Pakistan’s stock market has fallen by 9%, reflecting rising investor anxiety. In contrast, India’s market remains stable and has risen by 1.5% during the same period. In the longer term, India faces pressure to de-escalate, while Pakistan is being urged to address the presence of terrorist organizations on its soil. Pakistan is also facing relatively more economic pressure given its weaker economic fundamentals, the suspension of the IWT by India – which poses long-term risks to Pakistan’s agriculture and energy sectors – and growing investor unease.

### Impact on the global services industry

India remains the dominant hub for global delivery of technology, business, and engineering services. Enterprises are significantly reliant on India through both third-party outsourcing and in-house Global Capability Centers (GCCs). For many providers, India accounts for 40–80% of delivery headcount, and for leading enterprises, 15–35% of global talent is based in India GCCs, creating notable concentration risk, especially for areas such as technology services and analytics. Pakistan has a small global services footprint and is utilized by very few companies; our analysis below largely focuses on the impact on India.

As of now, there have been no reported disruptions to service delivery from India. The industry continues to demonstrate strong operational resilience. However, precautionary civil defense and air raid drills, including scheduled evacuation exercises and a 15-minute electricity blackout, were conducted in several Indian cities on May 7.

Everest Group currently rates India as a “Risk Level 2: Low” on a 5-point scale (where 5 indicates highest risk). The immediate impact on India’s global services industry remains limited, and the risk of an all-out war currently appears low, given the severe economic and geopolitical consequences both nations would face. However, we are beginning to see early-stage precautionary measures from global organizations. The situation underscores the importance of proactive risk management.

### Risk rating

Current view



India’s risk profile remains low; however, global services firms should continue to closely monitor geopolitical developments

### What we are seeing firms do

Firms are already taking precautionary steps to ensure continuity of operations, including:

- Maintaining and testing robust business continuity plans (at vendor sites and GCCs)
- Conducting city-level risk assessments for higher-risk northern hubs, such as Delhi/NCR: Gurgaon, Noida; by comparison southern hubs (e.g., Bangalore, Hyderabad, Chennai) have less risk
- Testing backup delivery sites and validating operational readiness
- Preparing to shift to fully remote work models if required
- Temporarily relaxing return-to-office mandates to ensure workforce safety
- Planning contingencies for remote and hybrid workers located near the Pakistan border, such as Jammu and Kashmir, Punjab, Rajasthan, and Gujarat
- Proactively validating secondary delivery sites – both within India and internationally – for high-priority workloads

### What we further recommend firms do

In addition to current actions, we recommend the following measures to further strengthen preparedness:

- Continue regular testing of business continuity strategies and site readiness
- Communicate transparently with employees, clients, and partners to maintain trust and confidence
- Temporarily defer international business travel to India until the situation stabilizes
- Share FAQs and provide communication templates to employees to address client or team concerns
- Strengthen on-the-ground security coordination; ensure local facilities review emergency protocols and establish direct lines to emergency services
- Engage immigration and mobility teams to track visa changes and embassy advisories
- Conduct scenario planning and stress testing for contingencies such as airspace closures, cyberattacks, regional power outages, and travel restrictions
- Model short-term redistribution of 20–30% of delivery to alternate locations to identify potential bottlenecks
- Closely monitor geopolitical developments and update risk assessments as the situation evolves

While the current escalation between India and Pakistan has not yet materially disrupted global services delivery, the situation remains fluid and warrants close monitoring. The combination of military action, diplomatic fallout, and long-term geopolitical implications introduces new layers of operational risk, particularly for firms with a heavy exposure to India through vendors and GCCs. In this environment, resilience is not only about reactive continuity planning – it requires forward-looking scenario modeling, agile workforce strategies, and proactive stakeholder communication.