
ABROGATION OF ARTICLE 370 - AN ANALYSIS IN THE CONTEXT WITH INDIAN ECONOMY

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ABSTRACT

The year 2019 emerged as a profound spiritual juncture in shaping India's future path. On national and global stages, fresh legislation was enacted, and obsolete laws were dismantled. Key drivers included India's surging economic prowess, elevating it to the second-biggest economy worldwide; a non-aggressive but resolute foreign policy fueling growth; determined steps to resolve seven-decades-old disputes; and a renewed zeal to reconceptualize, reimagine, and reactivate policies within an invigorated framework of nationalism, which had previously been missing. That said, progress always carries dual edges, blending gains with challenges. The current study scrutinizes the upsides and downsides of scrapping Article 370, probes if Article 370 was assured when the Letter of Accession was signed, and assesses how this revocation affects India's economy.

Keywords: abrogation, economy, impact, Jammu, Kashmir

I. INTRODUCTION

“Don't find fault, find a remedy anybody can complain”

- Henry Ford

India's government this year enacted its most vital reform by scrapping Article 370, a move with far-reaching economic consequences for the country in the years ahead. This came right after the Prime Minister's session with his cabinet. The bill passed in the Rajya Sabha. Anticipating disruptions from the declaration, the central authorities took proactive measures to protect Jammu and Kashmir's people, rushing in 8,000 soldiers from various parts of India..

From 1947 onward, the region has fueled disputes involving India, Pakistan, and China. These tensions led to its unique status within the Indian Union through Article 370, a provisional measure outlined in Part XXI of the Constitution and enacted on October 17. It came with its own flag and constitution, making Article 370 a cornerstone of India's legal structure.

As per Article 35A in India's Constitution, people of Jammu and Kashmir enjoyed unique regulations governing property rights, citizenship, and core freedoms, differing from the rest of the country. Outsiders from other states couldn't acquire land or real estate in the region. Additionally, the Jammu and Kashmir Reorganisation Act, passed by Parliament, restructured the state into two union territories: Jammu and Kashmir Union Territory and Ladakh Union Territory, set for implementation on October 31, 2019. Opinions among politicians and economists vary widely—critics call it the most regrettable choice ever, supporters hail it as bold progress. On the legal front, opposition is absent; the sole potential dissenter, the governor, serves at the Home Ministry's discretion.

II. WHY ARTICLE 370 IS ABROGATED ?

Atal Bihari Vajpayee pursued a humanitarian approach in Kashmir, but it failed largely due to Pakistan's stubborn refusal to engage. Pakistani leaders mistook his outreach as evidence of India's fatigue and vulnerability. Narendra Modi later attempted dialogue too, yet both efforts fell flat. The moment had arrived to correct deep-seated historical injustices.

To grasp the furious backlash, one must trace the origins of this special status. At India's independence and partition from Pakistan, princely states—territories governed by local rulers

under British oversight—chose alignment with either nation. Jammu and Kashmir's Maharaja Hari Singh opted for India by signing the Instrument of Accession. Unlike other states, however, this agreement included a key stipulation: the local Jammu and Kashmir government would handle all internal matters except defense, foreign affairs, and communications.

Article 370 thus entered India's Constitution upon its adoption, laying the groundwork for exclusive perks for J&K residents, like barring outsiders from purchasing property or accessing jobs. Pakistan's true interest isn't the Kashmiri people—if it were, they'd welcome them across the border on Islamic humanitarian principles. Instead, they covet the land and its water resources. Pakistani military brass, once coddled by U.S. forces and the CIA, love their rhetoric, but they're no conscripts.

They won't ignite a nuclear conflict over a patch of land roughly the size of their prime Indus Valley and Okara farmlands, home to a small, non-Urdu-speaking Muslim community even tinier than the oppressed Balochistan population they suppress. Nor would the generals gamble away all of Pakistan in such a war.

Jammu and Kashmir, encompassing the Kashmir Valley, stands as India's sole Muslim-majority state and the epicenter of a decades-long border clash with Pakistan, which controls areas west of India's portion. These nuclear rivals have clashed twice over it, and an ongoing Indian-side insurgency pitting separatists against security forces has claimed over 40,000 lives since 1989. In February, ahead of national polls, a Pakistan-based militant group carried out a suicide bombing that killed about 40 Indian paramilitary personnel. India retaliated by sending jets into Pakistani airspace for airstrikes on their soil, though no fatalities resulted. "Few Indians outside elite circles knew about Kashmir's special status until lately," as growing awareness has fueled the BJP's case that Article 370 fuels separatist sentiments.

III. ECONOMY OF JAMMU AND KASHMIR BEFORE ABROGATION OF ARTICLE - 370

Prolonged neglect has severely damaged Jammu & Kashmir's economy, which has relied heavily on central government grants-in-aid—making up over half of its total revenue.

Despite achieving double-digit growth in three of the past five years, this expansion stems from a very low starting point. J&K, geographically four times larger than Punjab, boasts an

economy smaller than one-third of Punjab's Rs 5.18 lakh crore.

Key facts on Jammu and Kashmir's economy:

- In 2018-19, the state's Gross State Domestic Product (GSDP) grew 11.7% to Rs 1.57 lakh crore (advanced estimates), according to state data.
- Central grants-in-aid have long propped up the economy, comprising at least half of revenue receipts. For 2018-19, the budget projected Rs 34,330 crore in such grants—over 53% of the Rs 64,269 crore total revenue estimate.
- The economy hinges on services and agriculture, with pillars like tourism, handicrafts, sericulture, handlooms, horticulture, food processing, and farming. Yet, the state's Economic Survey revealed just 0.9% of GSDP spent on industry, limiting manufacturing to agro-products and crafts.
- Home to 1.25 crore people—20% more than Uttarakhand and nearly double Himachal Pradesh—J&K's nominal GDP is only Rs 1.27 lakh crore. In contrast, Uttarakhand and Himachal report Rs 2.14 lakh crore and Rs 1.54 lakh crore, respectively. Per capita, J&K lags at under 50% of these neighbours.
- Investment and jobs are scarce, blocked by Articles 35A and 370. Investors steer clear. Even building IIMs falters as faculty avoid it—kids can't enroll in schools, families can't secure housing. This ultimately hurts J&K itself. Nehru-era policies continue to hinder progress.
- Job crisis: India's broader slowdown shows in labor markets, with unemployment hitting 7.9% in June 2019—the highest in 33 months (since September 2016). CMIE data from January 2016 to July 2019 pegged J&K's average monthly unemployment at 15%—more than double the national 6.4%—the worst among states.
- New investment proposals dropped for the fourth straight year nationwide, and J&K suffered too: its national share plummeted from 4.3% in 2013-14 to a mere 0.02% in 2018-19.

IV. EFFECT OF REVOCATION OF ARTICLE -370 ON INDIAN AND JAMMU &

KASHMIR ECONOMY

If J&K aligns economically with other Himalayan states like Uttarakhand or Himachal, its GDP could double—adding Rs 1.25 lakh crore, or roughly 1% to India's total. This shift would also ease national fiscal pressures. J&K, with just 1% of India's population, absorbs 10% of central grants (per a 2016 Hindu report). Union Finance Ministry figures show Rs 1.14 lakh crore in grants to J&K over 16 years—exceeding aid to 11 other special-category states combined.

The state's tax base remains weak without service taxes or GST (Assembly never approved it). India's 2018-19 fiscal deficit hit 3.4% of GDP (Rs 6.34 lakh crore), with J&K grants at Rs 0.34 lakh crore. Cutting these to Rs 0.1 lakh crore could shave Rs 0.24 lakh crore off the deficit (0.15% reduction). Post-Article 370 revocation, gains could multiply: a proactive state government could unlock J&K's tourism potential, currently negligible. India saw 1.6 billion tourists in 2016; J&K hosted only 14 million. A fivefold jump would contribute 4% more to the Rs 14 lakh crore national tourism revenue—Rs 56,000 crore for J&K—erasing revenue shortfalls and boosting India's GDP by 0.4%.

Real estate in J&K stands to surge post-abrogation, drawing investors. Locals could see property values climb from Srinagar's low Rs 2,200-4,000 per sq ft. Anarock's chairman noted PM Modi's national address inviting industries, including Bollywood, to invest region-wide. Still, it's premature to predict; security issues may deter buyers initially. Stability could usher in RERA-like rules, balancing buyers and developers to curb unregulated growth, just as in other states.

Scrapping Article 370 promises "stability, open markets, and reliable laws," attracting funds to tourism, agriculture, IT, healthcare, and more. This fosters an ecosystem rewarding skills, effort, and local products. In a globalized era, closed systems stifle growth—openness propels youth toward prosperity, spurring investment, innovation, and incomes.

The prior setup bred corruption, favoritism, and inequities for women, children, Dalits, and tribes; sanitation workers' aspirations went unmet. Now, J&K and Ladakh residents gain equal rights nationwide—no more bans on marrying outsiders (risking property and dual citizenship loss), or special citizenship for Pakistani spouses. Uniform rules apply. Counter-

terrorism simplifies too: central authority replaces state approvals. European Parliament members note it will dismantle Kashmir-based terror groups.

V. RESPONSE OF JAMMU AND KASHMIRI RESIDENTS AND OTHER NATIONS

A Reuters report from August 9 noted over 10,000 protesters in Srinagar opposing the Indian government's Article 370 revocation, with some hurling stones at security forces. Police countered with tear gas and pellet rounds to break up the crowds. Al Jazeera, sourcing locals via satellite phones and limited Wi-Fi, described Friday clashes involving pellet fire and tear gas from Indian troops, leaving some civilians with serious injuries from pellets.

Pakistan halted all trade with India, banning imports and exports. Its Ministry of Information and Broadcasting ended cultural ties. On August 13, 2019, Pakistan wrote to the UN Security Council president, urging an emergency session on India's "illegal" moves breaching Kashmir UN resolutions; the foreign minister pushed for council-wide circulation. By August 20, Pakistan vowed to escalate to the International Court of Justice, focusing on claimed Indian human rights abuses. US-India ties, however, stay steady—Washington's quiet stance signals reluctance to strain a key partnership, even under Trump, despite past turbulence.

At China's request, the UN Security Council held closed consultations on Kashmir. Pakistan and India submitted statements but skipped in-person attendance. The council urged bilateral resolution, avoiding an emergency label—India views this as status quo. China's envoy highlighted concerns over India's "unilateral" step risking escalation, but other diplomats noted P5 members (except China) framed it as India-Pakistan bilateralism, with the US calling it purely internal to India

VI. CONCLUSION

The interpretation of Article 370's clauses requires a reasoned approach aligned with the Constitution framers' vision. They built in amendment powers not to lock the document in stone, but to allow adaptability for evolving societal demands and justice. In today's context, Article 370 can be pragmatically reformed or revoked. Politically and economically vital, its abrogation addressed threats from relentless terror strikes and stagnating growth. Full integration with India promises economic revival for Jammu and Kashmir, drawing long-term investments into tourism, hospitality, entertainment, and retail—sectors that could empower

local youth. Residential and commercial real estate, long stifled by artificial restrictions and lacking maturity, now has room to flourish. Though change won't happen overnight, it will ultimately strengthen India's economy and weave J&K seamlessly into the national fabric.

“By common endeavor we can raise the country to new greatness while a lack of unity will expose us to great calamities.”

-Sardar Valla Bhai Patel