



India and China: Rivalry to Resilience

This editorial is based on “[The balancing China question before India](#)” which was published in The Hindustan Times on 19/01/2025. The article brings into picture the October 2024 India-China disengagement agreement, highlighting it as a temporary pause amidst ongoing challenges due to China’s growing influence and territorial ambitions. India must navigate domestic reforms, global partnerships, and supply chain diversification to counterbalance China and protect its regional role.

For Prelims: [India-China](#), [Asian Infrastructure Investment Bank](#), [New Development Bank](#), [Renewable energy](#), [Solar energy](#), [BASIC group \(Brazil, South Africa, India, China\)](#), [Active Pharmaceutical Ingredients](#), [Artificial intelligence](#), [China’s Tiangong Space Station](#), [Bharatiya Antriksh Station](#), [Vibrant Villages Program](#), [Belt and Road Initiative](#), [PLI scheme for semiconductors](#), [Malabar exercises](#), [South China Sea](#).

For Mains: Key Areas of Convergence Between India and China, Key Areas of Friction Between India and China.

The **October 2024 [India-China](#) disengagement agreement** offers a temporary reprieve, not a lasting solution to their relationship's deeper issues. China’s growing influence and territorial ambitions continue to challenge India’s strategic position. At this crossroads, **India must decide whether to counterbalance China** through internal reforms and global partnerships or risk diminishing its regional role. The path ahead demands careful engagement with China, avoiding unnecessary conflict. Additionally, India must diversify its **supply chains to reduce dependence on China** and strengthen its economic resilience.

What are the Key Areas of Convergence Between India and China?

- **Trade and Economic Ties:** India and China have become **significant trading partners**, with mutual economic interests driving bilateral trade.
 - India’s dependency on Chinese imports for **machinery, electronics**, and chemicals complements China’s import of **Indian raw materials and software services**.
 - In FY24, bilateral trade stood at **US\$ 118.40 billion**, with India exporting goods worth **US\$ 16.65 billion** and importing goods worth **US\$ 101.74 billion**.
- **Infrastructure Financing and Connectivity:** Both nations collaborate in multilateral platforms like the [Asian Infrastructure Investment Bank \(AIIB\)](#) and the [New Development Bank \(NDB\)](#) to finance infrastructure projects.
 - These platforms align with the shared goal of improving regional infrastructure and connectivity, critical for economic development in Asia.
 - Recent developments like the **inauguration of the China Calcutta Service (CCS)** in July 2024 aim to improve trade connectivity and reduce transit times.
- **Climate Change and Renewable Energy:** Both India and China have committed to global

efforts to combat climate change and achieve sustainable development.

- As large developing economies, they converge on issues like **renewable energy promotion, carbon neutrality**, and climate finance under frameworks like the **Paris Agreement**.
- China leads the world as the top producer of **solar energy**, installing more than 105 GW of photovoltaic (PV) capacity in 2022 while India has rapidly expanded its renewable energy capacity to **203.18 GW** (as of 2024), targeting **500 GW by 2030**.
- Both countries have worked in forums like the **BASIC group (Brazil, South Africa, India, China)** to demand financial and technological support for clean energy transitions.
- **Health and Pharmaceutical Cooperation:** The Covid-19 pandemic highlighted the need for collaboration between India's pharmaceutical industry and China's raw material supply chain.
 - Both countries are **working to strengthen supply chains for Active Pharmaceutical Ingredients (APIs)** and vaccines to ensure regional and global health security.
 - China supplies **70% of APIs** required by Indian pharmaceutical companies.
 - India's role as the **"pharmacy of the world"** complements China's production capabilities, especially during joint initiatives like vaccine distribution in developing countries.
- **Tourism and People-to-People Exchanges:** Tourism and cultural exchanges have gained momentum, fostering mutual understanding.
 - **Shared Buddhist heritage and interest in educational collaborations** have strengthened people-to-people ties.
 - In December 2024, India and China agreed on a set of "six consensus" including **resumption of the Kailash Mansarovar Yatra**, trans-border river cooperation and **Nathula border trade**.
- **Science and Technology Cooperation:** The two countries recognize the need for cooperation in technology, including **artificial intelligence (AI)**, space research, and **5G telecommunications**.
 - While competition exists, platforms like the **BRICS Science, Technology, and Innovation (STI) framework** offer avenues for joint research and development.
 - China is a global leader in **AI and 5G**, while India has built robust capabilities in IT services, as evidenced because services trade surplus has grown by a **CAGR of 13.91% in the last 5 years**.
- **Regional Stability and Counterterrorism:** Both nations aim for regional stability to ensure economic growth and development.
 - They converge on **counterterrorism efforts** and resolving border insurgencies in neighboring states like **Myanmar and Afghanistan**, despite geopolitical tensions.
 - As SCO members, India and China have participated in joint anti-terrorism exercises like the **SCO Peace Mission drills**.
- **Space Exploration and Technology Sharing:** India and China see immense potential in space exploration for **peaceful purposes**, such as **weather monitoring, disaster management, and scientific research**.
 - Collaboration in space technology can strengthen regional capacity for tackling environmental challenges and resource management.
 - **China's Tiangong Space Station** and **India's aim to build "Bharatiya Antriksh Station"** by 2035 highlight their advanced capabilities in space exploration.

What are the Key Areas of Friction Between India and China?

- **Border Disputes and Military Standoffs:** The unresolved boundary issues along the **Line of Actual Control (LAC)** have been the most contentious point in bilateral relations.
 - **Periodic military standoffs**, such as the **Galwan Valley clash (June 2020)**, have heightened tensions, eroding trust.
 - Despite multiple rounds of military and diplomatic talks, the two nations remain locked in a stalemate over disengagement in **eastern Ladakh and other disputed regions**.
- **Trade Imbalance and Economic Concerns:** The growing trade imbalance remains a major friction point, with India heavily dependent on Chinese imports while facing restricted market access for its goods.
 - India's concerns include **dumping of low-cost Chinese products** and reliance on Chinese machinery, adversely affecting domestic industries.

- In FY24, India's trade deficit with China reached **US\$ 85 billion**, with imports worth **US\$ 101.74 billion** and exports at only **US\$ 16.65 billion**.
- India's restrictions on Chinese investments post-2020, particularly in sensitive sectors like **telecom and fintech**, have added to the economic friction.
- **Infrastructure Development in Border Areas:** China's aggressive infrastructure development along the LAC, such as **building roads, airstrips, and villages**, has been a source of **concern for India**.
 - These projects aim to bolster China's military logistics, altering the strategic balance in border regions like Arunachal Pradesh and Ladakh.
 - China has been constructing over **600 Xiaokang or "well-off villages"** along India's borders with the Tibet Autonomous Region for over 5 years now, while India is ramping up its **Vibrant Villages Program** to counter this.
- **China's Support for Pakistan:** China's close partnership with Pakistan, including its support on contentious issues like Kashmir, has strained **India-China relations**.
 - Beijing's investments under the **China-Pakistan Economic Corridor (CPEC)** pass through **Pakistan-occupied Kashmir (PoK)**, violating India's sovereignty.
 - At the **UN Security Council**, China blocked India's efforts to designate Pakistan-based terrorists like **Masood Azhar** as global terrorists **until 2019**.
- **Opposition to India's Global Aspirations:** China has consistently opposed India's bid for a permanent seat in the **United Nations Security Council (UNSC)** and membership in the **Nuclear Suppliers Group (NSG)**.
 - Beijing cites procedural and non-proliferation concerns, limiting India's ability to achieve global recognition commensurate with its stature.
 - Despite support from countries like the US, India's **NSG bid has been stalled since 2016** due to China.
- **Belt and Road Initiative (BRI):** India's rejection of China's **Belt and Road Initiative (BRI)** stems from its sovereignty concerns over CPEC and apprehensions about the initiative's debt-trap diplomacy.
 - The BRI's expansion in South Asia is viewed as China encroaching upon India's traditional sphere of influence.
 - The **Hambantota port deal** in Sri Lanka, **leased to China for 99 years**, exemplifies India's concerns over China's strategic footprint in the Indian Ocean.
- **Water Disputes on Transboundary Rivers:** China's construction of dams and diversion of rivers like the **Brahmaputra (Yarlung Tsangpo)** has raised concerns in India over potential impacts on water flow and ecology.



- As the upper riparian state, **China's actions affect India's northeastern states**, leading to tensions over water security.
- China operationalized the **Zangmu Dam** on the Brahmaputra in 2015 and announced plans for a **mega dam** in the same river's lower reaches.
- China has been accused of withholding hydrological data during critical periods, as seen during the **2017 floods in Assam**.
- **Geopolitical Rivalry in the Indo-Pacific:** India and China are engaged in strategic competition in the **Indo-Pacific region**, with India opposing China's militarization of the South China Sea and Beijing viewing India's participation in the **Quad (India, US, Japan, Australia)** as part of a **containment strategy**.
 - India conducts the **Malabar exercises** with Quad partners, focusing on countering China's assertive actions in the region.

- China's claims over **80% of the South China Sea** through its **Nine-Dash Line** have been declared illegal by the **Permanent Court of Arbitration (2016)**, a stance supported by India.
- **Cybersecurity Threats and Digital Dependency:** India has raised concerns over **Chinese cyberattacks on critical infrastructure** and increasing dependence on Chinese technology.
 - India's restrictions on Chinese apps and investments reflect its apprehension about security vulnerabilities in sectors like telecom and fintech.
 - In **2020**, India banned **59 Chinese apps**, including **TikTok and WeChat**, citing security concerns after the Galwan clash.
 - In 2022, the hacking group **TAG-38** employed **ShadowPad malware**, a tool previously associated with **China's People's Liberation Army (PLA)** and Ministry of State Security, highlighting its possible links to Chinese state-backed cyber activities.



How can India Balance China Relations While Strengthening Self-Reliance and Supply Chain Diversification?

- **Strengthening Manufacturing, Gradual Decoupling:** India can boost domestic production in **critical sectors** while maintaining selective trade ties for non-substitutable imports.
 - For instance, the **PLI scheme for semiconductors** is attracting global players like **Micron Technology**, while India continues importing advanced **silicon wafers from China until domestic capacity scales up**.
 - Similarly, India's **toys industry**, supported by tariff increases and local manufacturing, reduced imports from China.
- **Collaboration in Green Energy, Diversifying Partners:** India can engage with China on multilateral climate platforms like **BRICS** to **address shared concerns, while sourcing renewables from diverse nations**.
 - India partnered with **Germany** in green hydrogen development through the **Indo-German Green Hydrogen Task Force**, while also negotiating solar battery technology transfers with **Japan**.

- Meanwhile, **India can leverage China's expertise in wind turbines** for capacity-building in domestic renewable industries.
- **Joint Ventures in Non-Sensitive Sectors:** Encourage partnerships with Chinese firms in non-sensitive sectors like **EV manufacturing while focusing on indigenous development for critical technologies**.
 - For instance, **China's electric vehicle major BYD is keen to have manufacturing operations in India** as soon as 'all factors' suggest a 'go ahead' and the plan is under constant evaluation.
- **Border Development with Strategic Talks:** India can develop border infrastructure to counter China's assertive presence while continuing diplomatic engagement.
 - For example, India's **BRO (Border Roads Organisation)** completed the **Atal Tunnel** to improve access to Ladakh, while diplomatic efforts through the **23rd Meeting of the Special Representatives of India and China** in December 2024 reduced tensions in certain areas.
- **Multilateral Cooperation, Bilateral Caution:** India can leverage platforms like **AIIB** and **SCO** for shared development goals while counterbalancing China's influence through partnerships like **Quad**.
 - For example, India's active participation in **SCO's Regional Anti-Terror Structure** ensures counterterrorism collaboration, while simultaneously using **Quad's Supply Chain Resilience Initiative (SCRI)** to diversify sourcing of semiconductors and rare earths.
- **Technology Collaboration, Indigenous Innovation:** India can collaborate with China in less sensitive areas like **AI for agriculture** while focusing on self-reliance in critical tech sectors.
 - For instance, India could tap into China's expertise in **precision farming AI**, while advancing domestic efforts in **5G and satellite tech** through programs like **BharatNet** and **Chandrayaan missions**.
- **Diversifying Trade, Engaging Diplomatically:** India can reduce its dependency on Chinese imports by deepening trade partnerships with **ASEAN, South Korea, and African nations** while maintaining economic engagement with China.
 - For example, India's **Act East Policy** facilitated stronger trade ties with **Vietnam**, particularly in electronics and chemicals, **reducing dependency on Chinese supply chains**.
- **Maritime Security, Regional Engagement:** India can strengthen naval alliances through **Quad naval drills** while **engaging China diplomatically to prevent escalation in the Indian Ocean**.
 - For instance, India conducted **Malabar 2023 Exercises** with the US, Japan, and Australia to enhance interoperability.
 - Whereas, India's **Sagarmala Project** ensures the development of strategic Indian ports to counterbalance Chinese influence at the ocean like in **Hambantota**.
- **Regional Manufacturing Hubs in South Asia and Africa:** India can strategically invest in developing regional manufacturing hubs in **neighboring countries like Bangladesh, Nepal, and African nations** to counter China's supply chain dominance.
 - By building industrial parks and incentivizing Indian firms to expand operations in these regions, India can **create alternative supply chains**.
 - For example, India could partner with **Ethiopia** for textile manufacturing thereby diversifying dependencies and creating geopolitical goodwill.
- **Dual-Use Infrastructure in Strategic Zones:** India can develop infrastructure in sensitive areas like the **Northeast** and **Andaman and Nicobar Islands** to serve both civilian and military needs while maintaining diplomatic discussions with China to manage regional stability.
 - For instance, expanding **Port Blair's capacity** for logistics demonstrates India's **strategic autonomy without escalating conflict**.
 - This also ensures supply chain connectivity in the Indo-Pacific while countering **China's String of Pearls strategy**.
- **Strategic Stockpiling and Reserves:** India can create strategic reserves of critical imports like **rare earth minerals, APIs, and semiconductors** to buffer short-term disruptions caused by over-reliance on China.
 - For instance, India could establish partnerships with **Australia and Chile for lithium**, building reserves to support industries like EV manufacturing.
 - This ensures supply chain resilience while reducing panic-driven dependencies during

geopolitical tensions.

- **Reviving India's Traditional Strengths in Textiles and Handicrafts:** To counter cheap Chinese imports in sectors like textiles and toys, **India can revive traditional industries by integrating them with e-commerce platforms** and international branding.
 - For example, exporting products under schemes like **"One District, One Product (ODOP)"** while partnering with platforms like **Amazon and Flipkart** could enhance the reach of **Pochampally silk, Banarasi sarees**, and Indian wooden toys globally.
 - This reduces reliance on Chinese imports in low-tech sectors while boosting India's MSME ecosystem.

Conclusion:

The **India-China relationship** is marked by **both convergence and friction**, requiring a nuanced approach. While areas like **trade, climate action, and multilateral cooperation** offer opportunities, challenges like **border disputes, trade imbalances, and geopolitical rivalry** persist. India must balance engagement with strategic caution, focusing on self-reliance and supply chain diversification. **Strengthening alliances, fostering domestic innovation, and promoting economic resilience** are vital. By adopting a pragmatic and multifaceted strategy, India can safeguard its interests while fostering regional stability.

Drishti Mains Question:

India's rise as a global power is being shaped by its response to the growing influence of China. In light of this, examine India's strategies to counterbalance China's geopolitical and economic expansion.

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

Q. "Belt and Road Initiative" is sometimes mentioned in the news in the context of the affairs of : (2016)

- (a) African Union
- (b) Brazil
- (c) European Union
- (d) China

Ans: D

Mains

Q. The China-Pakistan Economic Corridor (CPEC) is viewed as a cardinal subset of China's larger 'One Belt One Road' initiative. Give a brief description of CPEC and enumerate the reasons why India has distanced itself from the same. (2018)

