

# India And China: Two Tigers Across The Mountains

*A realistic scenario today is one where both the countries prosper, representing a multipolar Asian century and future global governance*



**Sanjay Bhattacharyya**

Jun 11, 2026

Amid the flutter caused by US President Donald Trump's meeting with Chinese President Xi Jinping in Beijing, and US Secretary of State Marco Rubio's visit to New Delhi for bilateral and Quad meetings, two trends emerged: first, in terms of power, both the US and China had reached their respective plateau but were in strategic competition; and second, India would have to expand her strategic autonomy in an era of geopolitical flux.

For India, these trends were important in the context of our relations with China from the perspective of our national development and national security priorities in a dynamic framework.

In the post-Galwan period, India had insisted on stability in border areas as a precondition for a wider engagement with China. Our economy faced de-industrialisation in the Micro, Small, and Medium Enterprise (MSME) sector, economic interdependency in growth sectors, and reliance on capital goods and infrastructure imports from China.

On the other hand, China viewed Galwan from the overall context of bilateral relations in which border incidents were an element of its border management activities. However, its economic growth had slowed, there was pushback from the West, and the Indian market was not insignificant. The divergence on the boundary issue required consultations to reduce tensions. Two initiatives emerged - to maintain stability in the border areas and revive economic engagement - that deserve attention.

## Does China Wish To Invest In India?

The recent approval, in March 2026, of modifications to Press Note 3 of 2020 signalled recalibration of foreign direct investment (FDI) policy towards entities from land boundary countries (LBCs) and the possibility of further amendments to attract FDI from China. Press Note 1 of 2018 had relaxed FDI norms through the automatic approval route, but following concerns about abuse of controlling interests in enterprises, Press Note 3 was issued to mandate an approval process on FDI from LBCs. Certain overseas financial centres claimed that this restricted FDI inflows. The Economic Survey 2023-2024 had indicated interest in attracting FDI from China and leveraging the “China plus one” approach to attract investment. Even the Commerce Minister indicated that a calibrated policy could be adopted. The recent modification brought clarity by defining 10% holding of LBCs in the entity as a benchmark for automatic approval. Entities could also benefit from the fast-tracking of investment proposals in specified priority sectors. The transparency was welcomed as a positive step if used in conjunction with a favourable industrial policy.

An examination of the India-China economic engagement between 2000 and 2025 revealed that the level of Chinese investment was only US\$ 2.5 billion, or about 0.3% of foreign inflows. A large portion of this was in tech and startups, of which many had been capitalised and expatriated; FDI in core manufacturing was limited, with some investment in the electronics sector for smartphones, where China had a strong market presence. China was reluctant to bring new technology or establish a manufacturing presence in India, its participation even in the Production Linked Incentive (PLI) scheme was lukewarm. The reluctance to invest was less on account of the Indian policy framework and more on account of China’s strategic approach to foreign investment.

For China, certain countries were targeted for exports and trade surplus while others were seen as having potential for technology integration and market capitalisation. Further, China’s infrastructure investments were directed toward Belt and Road Initiative (BRI) projects. Its recent emphasis on high-quality production forces, highlighted in its 15th Five-Year Plan, confirmed that it would pursue technology dominance in new industry and artificial intelligence (AI), but would also continue to expand its global dominance in traditional manufacturing. In other words, China would continue to seek export potential for its overcapacity.

This tendency was further borne out by an examination of trade flows during the same period, 2000-2025. Chinese exports to India increased exponentially from US\$ 1.4 billion to US\$ 155 billion, with its trade surplus increasing from under US\$ 1 billion to US\$ 112 billion. China not only aggressively pushed exports to India but also impeded imports through non-tariff barriers and administrative fiat.

In fact, Chinese imports had weakened the manufacturing sector in India and when India sought to enhance indigenous content in certain sectors, China went to the World Trade Organisation (WTO) seeking a panel. The intention was clear - China sought to maintain India as a dependent partner in the Chinese supply chain, and it would not allow any space for competition in the production of similar products. In this background, it will be interesting to see if Chinese entities do actually invest in India following the modification of Press Note 3, either in new industry or in traditional sectors.

## Can The Boundary Question Be Resolved

On national security, recent developments in the border areas have lowered tension, but trust is yet to be regained. It must be recalled that it was aggression by China, in violation of the agreements on peace and tranquillity (1993) and confidence-building measures (1996), that had triggered the latest disruption in our relations. The intrusions were not isolated instances, but an aggressive pattern across different sectors in India and even in neighbouring Bhutan.

The Working Mechanism for Consultation and Coordination (WMCC) in border areas had to meet frequently after Galwan. The 15th to 26th meetings of WMCC were held in quick succession, often virtually, amid the Covid-19 pandemic, to defuse the border crisis. It agreed on de-escalation in the main friction points, but also created temporary buffer zones on our side of the perceived Line of Actual Control (LAC). Although disengagement was not completed, the lowering of tensions paved the way for the leaders to meet in Kazan (2024) - on the margins of the BRICS summit - to give it political direction. Subsequent sessions of WMCC and meetings of Army Commanders negotiated operational details, including disengagement and coordinated patrolling for a semblance of stability in the impacted areas, but trust deficit remains.

The progress on the ground green-flagged meetings of Special Representatives (SRs), in 2024 and 2025, after a long pause since 2019. The SRs, mandated to discuss the boundary

question, announced two outcomes: they acknowledged the decisions of the protocol on guiding principles and political parameters on the boundary question (2003) and explored an early harvest on the boundary question.

These were important decisions as stability was a key priority. But one must tread with caution. In a sense, both suggestions were reiterations of earlier agreements. It may be necessary to update the agreement on confidence building measures, as reckless military activities in border areas had diminished trust and disrupted diplomatic processes. Citing the pretext of border management, exaggerated territorial claims, cartographic aggression and aggressive posture in the periphery can lead to dissonance that is not helpful. Future progress can only be on the basis of mutual trust, mutual respect and mutual security.

While it may be preferable to have a resolution of the entire boundary, rather than piecemeal solutions, settlement of the Middle and Sikkim sectors, which are less problematic, could serve as a confidence boost. Both sides are aware that the economic rise of India is likely to continue strongly in the second half of the 21st century and India's strategic rise is inevitable. The dividend of democracy and demography benefits India's rise as an emerging power with a global profile. Diplomacy deserves a chance - and accompanied by political will, it can seize the opportunity.

It is not a dance of the elephant and the dragon, but rather of two tigers. The old adage had two scenarios - one, in which a tiger overcame the other, which is an unrealistic scenario in the India-China context, and the other, in which they prospered on two sides of the mountain, which represents a multipolar Asian century and future global governance.

*(The writer is a former diplomat. He was the BRICS Sherpa. Currently, he is a Professor at Jindal Global University. Views expressed are personal.)*