

INDIA–CHINA RELATIONS: BORDER DISPUTES, ECONOMIC ENGAGEMENT AND STRATEGIC COMPETITION

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Abstract

India–China relations constitute one of the most consequential bilateral relationships in Asia. The relationship combines deep economic interdependence with an unresolved boundary dispute, strategic competition, regional rivalry and cooperation in multilateral institutions. This paper examines the evolution and contemporary structure of India–China relations through three interrelated dimensions: border disputes, economic engagement and strategic competition. It traces the movement from the establishment of diplomatic relations in 1950 and the 1962 conflict to the confidence-building arrangements of the 1990s and 2000s, followed by the serious deterioration associated with the Line of Actual Control (LAC) crisis in Eastern Ladakh from 2020. Particular attention is given to the 21 October 2024 agreement on patrolling arrangements in Depsang and Demchok and the subsequent implementation of disengagement measures, while recognising that the broader boundary question remains unresolved. The economic dimension is analysed through bilateral trade, import dependence, market access, supply-chain considerations, technology and investment-related concerns. The strategic dimension covers the Indian Ocean, the Indo-Pacific, connectivity initiatives, defence modernisation and India's engagement with groupings such as the Quad, BRICS and the Shanghai Cooperation Organisation. The paper argues that the relationship is best understood as a combination of competition, interdependence and selective cooperation rather than as a simple binary of friendship or confrontation. The study concludes that sustained dialogue, border stability, calibrated economic diversification, institutional mechanisms and issue-based multilateral cooperation are central to managing the relationship.

Keywords

- India–China Relations
- Line Of Actual Control
- Border Dispute
- Bilateral Trade
- Economic Interdependence
- Strategic Competition
- Indo-Pacific; Supply Chains
- Regional Security.

Introduction

India and China are two major Asian civilisations and two of the world's largest developing economies. Their relationship has implications not only for bilateral peace and prosperity but also for the political economy and security architecture of Asia. Diplomatic relations were established on 1 April 1950, and India was the first non-socialist-bloc country to establish diplomatic relations with the People's Republic of China. The early relationship was influenced by the principles of peaceful coexistence and the slogan of Asian solidarity, but the unresolved boundary question eventually contributed to the 1962 India–China war. The subsequent decades witnessed alternating phases of tension, stabilisation, dialogue and economic engagement. A major transformation occurred after Prime Minister Rajiv Gandhi's 1988 visit to China. The two sides increasingly separated the boundary dispute from other areas of cooperation. Agreements in 1993, 1996 and 2005 established principles and confidence-building measures intended to maintain peace along the

LAC. The bilateral relationship expanded through trade, institutional dialogue, cultural exchanges and cooperation in multilateral forums. The official Indian account notes that more than thirty dialogue mechanisms have existed across political, economic, cultural, consular and regional issues.

The crisis in Eastern Ladakh beginning in 2020 changed the operating environment. India's official position is that Chinese actions along the LAC attempted to alter the status quo and seriously disturbed peace and tranquillity. Military and diplomatic talks continued for several years. On 21 October 2024, India and China reached an agreement concerning patrolling arrangements in Depsang and Demchok, and the Government of India stated in February 2025 that the arrangement had been implemented and that disengagement from all 2020 friction points had been achieved. This development reduced one layer of immediate military friction, although it did not resolve the underlying boundary dispute. At the same time, economic relations have remained significant. Official trade data show China as one of India's largest trading partners and the largest source of Indian imports. This creates a complex policy problem: economic engagement can generate efficiency, consumer benefits and industrial inputs, while concentrated dependence in selected sectors can create vulnerabilities. Therefore, the contemporary relationship cannot be analysed through security alone; it requires an integrated political-economy framework.

Statement of the Problem

The central problem addressed in this paper is the coexistence of economic interdependence and strategic distrust in India–China relations. The two countries have strong incentives to maintain trade and economic interaction, yet the unresolved boundary dispute, military infrastructure, regional competition and technology-security concerns have constrained political trust. The research therefore examines how border tensions affect the broader relationship, how economic engagement operates under strategic uncertainty, and how competition is expressed across South Asia, the Indian Ocean and the Indo-Pacific.

Objectives of the Study

- To examine the historical evolution of India–China relations with particular reference to the boundary question.
- To analyse the major agreements and mechanisms developed to maintain peace and tranquillity along the LAC.
- To study the structure and significance of India–China economic and trade relations.
- To examine the strategic dimensions of India–China competition in South Asia, the Indian Ocean and the Indo-Pacific.
- To identify the principal challenges and areas of selective cooperation in the bilateral relationship.
- To suggest policy-oriented measures for managing competition while protecting India's economic and strategic interests.

Research Questions

- How has the unresolved boundary dispute shaped the trajectory of India–China relations?
- What is the nature of India's economic dependence and engagement with China?
- How has strategic competition expanded beyond the land boundary?
- What mechanisms can help manage competition and preserve areas of mutually beneficial cooperation?

Hypotheses

- H1: Persistent border tensions negatively affect political trust and constrain the overall expansion of bilateral cooperation.

- H2: Despite strategic competition, the scale of economic interdependence creates continuing incentives for structured bilateral engagement.
- H3: Diversification of supply chains can reduce concentrated economic vulnerabilities without requiring complete economic disengagement.
- H4: Institutionalised dialogue and confidence-building measures can reduce the risk of escalation even when the boundary dispute remains unresolved.

Research Methodology

The study is descriptive and analytical in nature. It relies primarily on secondary data and documentary sources. Official documents of the Ministry of External Affairs, Government of India, Ministry of Commerce and Industry, and publicly available bilateral agreements are used to establish factual chronology and trade context. Academic literature and established analytical perspectives on Asian security, international political economy and India–China relations are used to interpret the evidence. The study uses qualitative comparison rather than attempting to estimate a causal econometric model. The analysis covers the historical period from 1950 to the contemporary period, with particular emphasis on developments after 2020 and the 2024 border arrangements.

Historical Evolution of India–China Relations

- The history of India–China relations can be divided into several broad phases. The first phase, from 1950 to 1962, was characterised by diplomatic optimism but also by the emergence of territorial disagreements. The Tibet question and differing perceptions of the boundary became increasingly important. The 1962 conflict produced a prolonged deterioration in relations.
- The second phase involved gradual normalisation. Diplomatic relations were restored to a more functional footing, and Rajiv Gandhi’s 1988 visit created a basis for sustained dialogue. The two sides developed a pragmatic approach: the boundary question would continue to be negotiated, while other areas of interaction could proceed. The 1993 Agreement on Maintenance of Peace and Tranquillity along the LAC was followed by the 1996 Confidence Building Measures Agreement. These instruments sought to limit military risks and prevent incidents from escalating.
- The third phase, especially after 2003–2005, witnessed expansion of economic and institutional relations. The two sides established a Strategic and Cooperative Partnership in 2005 and adopted guiding principles for a boundary settlement. Prime Minister Narendra Modi and President Xi Jinping also held informal summits at Wuhan in 2018 and Chennai in 2019. These meetings emphasised the need to manage differences while expanding practical cooperation.
- The fourth phase began with the 2020 Eastern Ladakh crisis. The events demonstrated the limits of earlier confidence-building arrangements and generated a prolonged military deployment. India and China used both diplomatic and military channels to negotiate disengagement. The 2024 patrolling agreement represented an important step in reducing friction at Depsang and Demchok, but it did not settle the boundary question itself.

India–China Border Dispute

The India–China boundary is generally discussed in three sectors: the western sector involving Ladakh and Aksai Chin; the middle sector involving Himachal Pradesh and Uttarakhand; and the eastern sector involving Arunachal Pradesh. The boundary has not been mutually demarcated on the ground, and the LAC is not identical to a mutually agreed international boundary. Differing perceptions of the LAC have therefore generated patrol confrontations and other incidents. The western sector has been particularly significant because of the strategic importance of Aksai Chin and the connectivity between China’s Xinjiang and Tibet regions. The eastern sector is also

politically sensitive because China disputes India's administration of Arunachal Pradesh and has periodically raised objections concerning the region. The middle sector has generally witnessed fewer major confrontations, although differences remain. India and China created a substantial institutional framework to manage the dispute. The 1993 agreement focused on maintenance of peace and tranquillity. The 1996 agreement introduced confidence-building measures in the military field. The 2005 protocol dealt with implementation of confidence-building measures, while the 2005 Political Parameters and Guiding Principles Agreement addressed the broader boundary settlement framework. The 2012 Working Mechanism for Consultation and Coordination and the 2013 Border Defence Cooperation Agreement added further institutional mechanisms. These agreements demonstrate that both countries have historically recognised the value of risk management even without achieving a final settlement. The 2020 crisis, however, created a serious discontinuity. According to the Government of India, the Chinese side undertook attempts from April–May 2020 to alter the status quo in the western sector, which India responded to through its armed forces. The ensuing talks produced disengagement arrangements at several friction points. The October 2024 agreement on Depsang and Demchok was subsequently described by the Indian government as having led to disengagement from all the 2020 friction points. The significance of this development lies in restoring patrolling arrangements in specified areas, while the broader boundary settlement remains a separate and more difficult diplomatic objective. The border issue therefore has two distinct components: immediate crisis management and long-term boundary settlement. The first requires military communication, patrol protocols, buffer arrangements where agreed, and mechanisms for preventing accidental escalation. The second requires political negotiations on the territorial claims of both sides. Confusing these two objectives can lead to unrealistic expectations about the pace of a final settlement.

Economic Engagement and Bilateral Trade

Economic relations have been one of the most important dimensions of India–China interaction since the 1990s. Trade expanded rapidly as Chinese manufacturing became integrated into Indian supply chains and Indian firms increased access to Chinese machinery, electronics, chemicals, pharmaceutical inputs and other intermediate goods. China also became an important market for selected Indian exports, although the trade balance has remained strongly tilted toward China. Government of India trade data show the scale of this relationship. The Department of Commerce reports that in 2022–23 China accounted for 56.13 percent of India's trade with the North-East Asia region. In the same official series, India's exports to China were about US\$15.31 billion in 2021–22, while imports were about US\$98.51 billion, producing a large bilateral trade deficit. The current Department of Commerce Trade Intelligence and Analytics portal continues to identify China as India's largest importing source, with the latest data available through July 2026. These figures underline the structural importance of China in India's import basket. The trade relationship has several layers. First, China supplies capital goods and intermediate inputs used by Indian manufacturing. Second, consumer electronics and components connect Indian demand to Chinese production networks. Third, sectors such as pharmaceuticals may depend on imported active pharmaceutical ingredients and chemicals. Fourth, renewable-energy equipment, electrical machinery and industrial components have created additional linkages. Consequently, a sudden and comprehensive disengagement would impose adjustment costs on Indian firms and consumers. At the same time, the concentration of imports creates vulnerability. Economic security concerns have therefore become more prominent after 2020. India has pursued policies aimed at strengthening domestic production, diversifying suppliers, attracting investment into strategic sectors and developing alternative supply chains. Production-linked incentives and the broader manufacturing strategy are relevant in this context, although reducing dependence does not necessarily mean eliminating trade. Market access is another important issue. Indian firms have historically sought

greater access to the Chinese market for information technology services, pharmaceuticals, agricultural products and other goods and services. The trade imbalance is therefore not only a matter of import volume but also of export composition, standards, market access and competitiveness. A sustainable economic relationship would depend on greater diversification and reciprocal opportunities rather than simply maximising bilateral trade volume. Economic engagement also has a geopolitical dimension. Businesses may favour stable relations because border tensions can increase transaction costs and policy uncertainty. Governments, however, may place national-security considerations above short-term commercial efficiency in sensitive sectors. This tension between efficiency and resilience is central to contemporary international political economy.

Economic Interdependence versus Economic Security

The India–China relationship illustrates the distinction between interdependence and dependence. Interdependence means that both sides gain from economic links and can be affected by disruption. Dependence becomes strategically significant when alternatives are limited and one side has greater capacity to impose costs. India’s policy challenge is therefore not simply to reduce the absolute volume of imports from China but to increase the availability of alternative suppliers, domestic capacity and technological capabilities in critical sectors. A practical strategy is sectoral diversification. In non-sensitive sectors, normal commercial relations can continue subject to applicable regulations. In critical technologies, telecommunications, digital infrastructure, defence-related supply chains and other sensitive areas, risk assessment can be stricter. Such a differentiated approach avoids treating every trade relationship as a security threat while recognising that certain dependencies may have strategic implications. The economic relationship also offers opportunities for cooperation. Climate-related technologies, global development, multilateral financial reform and selected areas of public health can create common interests. However, cooperation is likely to be more durable when supported by transparent rules and predictable institutions rather than by assumptions of political trust.

Strategic Competition

- India–China strategic competition extends beyond the Himalayan boundary. It includes South Asia, the Indian Ocean, connectivity, infrastructure, defence technology, maritime security and influence in multilateral institutions. China’s economic and infrastructure relationships with neighbouring countries have increased its regional presence. India, in turn, has strengthened its engagement with countries in the Indo-Pacific and with regional groupings that support a free, open and rules-based regional order.
- The Indian Ocean is particularly significant for India because the country’s geography places it close to major sea lanes connecting the Middle East, Africa, South Asia and East Asia. China’s dependence on maritime trade and energy imports also gives the Indian Ocean strategic significance for Beijing. Port development and connectivity projects in the wider region are therefore examined by strategic analysts through the lens of maritime influence, although individual infrastructure projects can have commercial as well as strategic purposes.
- The Indo-Pacific has become another major arena. India participates in the Quadrilateral Security Dialogue with Australia, Japan and the United States. It also maintains active engagement with ASEAN and other regional partners. India’s Indo-Pacific policy is not exclusively directed at China; it includes broader objectives concerning maritime security, connectivity, economic cooperation, disaster relief and regional institutions. Nevertheless, China’s growing power is an important factor shaping the strategic environment in which these initiatives operate.

- India and China simultaneously participate in multilateral institutions where their interests overlap. Both are members of BRICS and the Shanghai Cooperation Organisation and cooperate in forums such as the G20. These institutions create opportunities for dialogue on development, finance, climate change and global governance even when bilateral relations are strained. The coexistence of rivalry and institutional cooperation is therefore a defining feature of the relationship.

Defence and Border Infrastructure

Border management has become increasingly connected with infrastructure development. Roads, bridges, airfields, logistics systems, surveillance and communications influence the ability of each side to maintain troops and respond to incidents. India has accelerated infrastructure development in border areas, while China has continued extensive infrastructure development on the Tibetan side. Better connectivity can strengthen defensive preparedness, but it can also increase the speed with which forces can reach contested areas. This creates a security dilemma in which measures intended as defensive by one side may be perceived as threatening by the other. The management of this dilemma requires communication and transparency. Military hotlines, commander-level meetings, established protocols and political dialogue can reduce miscalculation. The experience since 2020 demonstrates that even when military deployments are substantial, sustained negotiations remain essential to prevent local incidents from developing into a broader confrontation.

India–China Relations and South Asia

China's relations with Pakistan constitute a major strategic factor for India. Defence cooperation, infrastructure projects and the China–Pakistan Economic Corridor have strengthened China–Pakistan strategic ties. India's objections to projects passing through territories it claims are under its sovereignty add a territorial dimension to the broader competition. At the same time, China has extensive economic relations with Bangladesh, Nepal, Sri Lanka and other South Asian countries. India therefore operates in a regional environment in which economic influence and strategic partnerships overlap. India's response has included greater connectivity with neighbouring countries, development partnerships, maritime cooperation and participation in regional forums. The policy challenge is to provide attractive economic alternatives without framing every regional Chinese activity as inherently hostile. For smaller South Asian states, maintaining relationships with both India and China can be economically valuable. Their policy choices are therefore influenced by development needs, infrastructure finance, trade and security considerations.

Areas of Cooperation

Despite strategic competition, several areas of cooperation remain possible. Multilateral economic institutions, climate negotiations, global development, public health, cultural exchanges and people-to-people contacts can provide channels for communication. The two countries also have shared interests in maintaining regional economic growth and avoiding an uncontrolled military crisis. Cooperation does not require agreement on all issues. A realistic approach is issue-based cooperation: the two governments can cooperate where interests overlap while continuing negotiations where differences remain. This is consistent with the historical principle that differences should be managed so that they do not become uncontrolled disputes. People-to-people relations can also contribute to long-term stability, although such exchanges are strongly affected by political conditions. Academic, cultural and commercial contacts are most productive when supported by predictable visa, consular and institutional arrangements.

Major Challenges

- Unresolved boundary claims and differing perceptions of the LAC.
- Military infrastructure and the possibility of rapid escalation after local incidents.
- Low levels of political trust following the 2020 crisis.

- Large and persistent bilateral trade imbalance.
- Dependence on Chinese inputs in selected manufacturing and technology sectors.
- Strategic competition in the Indian Ocean and South Asia.
- China–Pakistan strategic cooperation and associated Indian security concerns.
- Competing infrastructure and connectivity initiatives.
- Technology, data, telecommunications and economic-security concerns.
- The difficulty of separating commercial engagement from national-security considerations in sensitive sectors.

Policy Suggestions

- Maintain continuous diplomatic and military communication along the LAC, with particular attention to preventing incidents and clarifying patrol protocols.
- Treat border crisis management and final boundary settlement as related but distinct objectives.
- Continue structured dialogue through established mechanisms and revive or strengthen economic and sectoral consultation where conditions permit.
- Diversify import sources and strengthen domestic capabilities in critical sectors without imposing unnecessary barriers on ordinary trade.
- Promote greater Indian export competitiveness through quality improvement, logistics, standards compliance and market diversification.
- Use sector-specific risk assessment for technology, infrastructure and sensitive supply chains rather than applying a uniform approach to all Chinese economic activity.
- Strengthen India's partnerships with ASEAN, Japan, Australia, the European Union, the United States and other economies while preserving strategic autonomy.
- Expand regional development and connectivity initiatives in South Asia and the Indian Ocean with transparent financing and local participation.
- Use multilateral forums such as BRICS, SCO and G20 for issue-based cooperation even when bilateral relations face difficulties.
- Encourage academic and cultural exchanges when political and security conditions permit, because long-term stability requires channels beyond official diplomacy.

Findings of the Study

The study finds that India–China relations cannot be adequately explained by a single concept such as rivalry or cooperation. The relationship is multidimensional. The border dispute is the principal source of strategic distrust, but economic relations have created substantial interdependence. The 2020 crisis demonstrated the fragility of earlier confidence-building arrangements, while the 2024 patrolling agreement demonstrated the continuing importance of negotiated risk management. The economic relationship remains large even as India increasingly emphasises resilience and diversification. Strategic competition has expanded from the land boundary to maritime space, connectivity, technology and regional influence. The study also finds that complete economic separation would be difficult because of established production networks and the scale of Chinese manufacturing. Conversely, unrestricted dependence can create vulnerabilities. The relevant policy objective is therefore calibrated diversification: maintaining economically beneficial trade while reducing excessive concentration in strategically sensitive areas. Similarly, strategic competition does not eliminate the possibility of multilateral cooperation. India and China can cooperate in selected global forums while managing bilateral differences through dedicated channels.

Conclusion

India–China relations represent a complex combination of historical disputes, economic interdependence and strategic competition. The boundary question remains the most sensitive

political and security issue. The series of agreements since 1993 demonstrates that both countries have recognised the need to maintain peace and tranquillity even without resolving the territorial dispute. The 2020 crisis significantly weakened political trust, but sustained negotiations subsequently produced disengagement arrangements, including the October 2024 patrolling agreement covering Depsang and Demchok. The available official record indicates that the 2020 friction points were subsequently disengaged, while the larger boundary settlement remains unresolved. Economic engagement presents a different but interconnected picture. China remains deeply embedded in India's import structure and manufacturing supply chains. This creates economic benefits as well as strategic vulnerabilities. India's response has increasingly emphasised domestic manufacturing, supply-chain diversification and resilience. Such measures need not imply complete economic disengagement; rather, they can create greater policy flexibility by reducing excessive concentration in critical areas. Strategically, competition is likely to remain a long-term feature of the relationship because of geography, relative power, regional influence and differing security interests. Nevertheless, competition does not automatically require confrontation. Border stabilisation, communication mechanisms, calibrated economic policies and issue-based multilateral cooperation can help prevent strategic rivalry from producing uncontrolled escalation. The central requirement is sustained management of differences combined with practical engagement wherever mutual interests exist. From an international political-economy perspective, India–China relations demonstrate that security and economics are increasingly inseparable. A stable border can facilitate economic confidence, while resilient economic capabilities can strengthen strategic autonomy. Therefore, India's long-term approach may be understood as a balance between engagement and risk management: maintaining beneficial economic relations, diversifying critical dependencies, strengthening national capabilities and preserving diplomatic channels. The objective is not the elimination of competition, which may be unrealistic, but the institutional management of competition so that it does not undermine peace, development and regional stability.

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