

CHINA AND INDIA

TWO GIANTS SHAPING THE GLOBAL ECONOMY



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ISAS-EAI Launch Series and Inaugural Workshop

China and India: Two Giants Shaping the Global Economy

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CHINA AND INDIA: Two Giants Shaping the Global Economy

Institute of South Asian Studies
East Asian Institute

April 2025

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Special Report Issue No. 33



CONTENTS

Executive Summary	03
Introduction	05
The Setting	07
Bilateral Economic Relations	12
China+1: India's Role in Global Supply Chain Diversification	14
Climate Challenges	16
Technology, Financial Systems and Fintech Innovations	18
Reshaping Global Economic Governance	24

Collaboration with the Global South	27
Development Strategies and the Role of Industrial Policy	29
India and China in a Multipolar versus Bipolar World Order	35
Tension and Trust	40
Conclusion	45
About the Authors	47

Executive Summary

On 14 November 2024, the Institute of South Asian Studies and the East Asian Institute at the National University of Singapore launched a joint series initiative through a collaborative workshop titled ‘China and India: Two Giants Shaping the Global Economy’. Curated with the objective to better understand the two largest Asian economies, the event examined several key issues related to India and China with a focus on understanding their roles in shaping the global economy.

The event comprised two sessions: a public segment that launched the series along with insights from experts and discussions on China and India’s role in the global order; and a closed-door workshop held under the Chatham House rules with select participants.

Singapore’s Senior Minister of State for Foreign Affairs and National Development Sim Ann inaugurated the series and delivered the keynote address for the public session. During her speech, she noted the significance of China and India as crucial players on the global stage, both from an economic and strategic perspective, from a Singaporean vantage point.

Their economies are the key drivers of regional and global trade and are deeply intertwined with supply chains.

China and India, the world’s largest and third-largest economies measured in purchasing power parity (PPP) respectively, wield immense global influence. Their economies are the key drivers of regional and global trade and are deeply intertwined with supply chains. Both are also crucial to addressing an existential global challenge like climate change and are at the forefront of research and innovation in scientific and industrial applications. Hence, it is important to understand their evolving combined influence on the global economy and international order.

This Special Report collates the views and understandings from the presentations and discussions during the event. The themes covered include China and India’s importance in the global economy, their new

economic and industrial policies, and the geopolitical underpinnings of their economic and strategic growth.

Introduction

Together, these countries account for a substantial share of the world's economic output and population, positioning them as key drivers of global growth.

The global economic landscape has undergone a profound transformation in the 21st century, with China and India emerging as two of its most influential players. Together, these countries account for a substantial share of the world's economic output and population, positioning them as key drivers of global growth.

While China's economic importance is well established, India's growing prominence is increasingly capturing global attention. China and India are now the world's first and third largest economies respectively, measured in PPP, and second and fifth largest economies respectively, measured in nominal gross domestic product (GDP). The International Monetary Fund's (IMF) January 2025 World Economic Outlook Update estimates that India will grow at 6.5 per cent while China's official growth target is five per cent, making them two of the world's fastest growing major economies. Combined, the two countries are expected to account for about 50 per cent of global growth in 2025.¹

China and India are also the world's two most populous nations with 1.4 billion people each (37 per cent of the world's population).² This demographic reality alone underscores the critical significance of understanding the role that both countries currently play and are likely to play in future on the global stage. Both countries have a dominant presence in the global labour market as they lead the labour force contributions in the world.³ Their impact on the world's economy through the global labour market is further amplified by

¹ 'World Economic Outlook Update', International Monetary Fund, January 2025, <https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025>; and 'Report on the Work of the Government', *Xinhua News Agency*, 12 March 2025, <https://english.news.cn/20250312/bb9eb168edfa4e669b00b8dff4f058ad/c.html>.

² 'Twenty Countries with the Largest Population in 2024', *Statista* 2024, <https://www.statista.com/statistics/262879/countries-with-the-largest-population/>.

³ The labour force comprises people in the ages 15 and older who supply labour for the production of goods and services during a specified period. For a detailed definition, see <https://databank.worldbank.org/metadataglossary/world-development-indicators/series/SL.TLF.TOTL.IN>; and *The World Factbook*, Central Intelligence Agency; <https://www.cia.gov/the-world-factbook/field/labor-force/country-comparison/>.

the fact that India is one of the world's youngest countries, with 65 per cent of its population under 35 years of age.⁴ China continues to have a large contribution to the global labour market, despite having a rapidly ageing and gradually declining population.

Beyond their global economic importance, China and India share some common challenges such as climate change and pursue similar strategic objectives in key areas. Both advocate for reforms in global economic governance to better reflect their economic standing and both are leveraging industrial policies to drive development and self-reliance. Additionally, both are actively engaged with the Global South.

Border disputes and skirmishes constrain and threaten China-India bilateral relations; yet economic ties between the two countries remain significant. Trade between China and India is substantial and continues to grow, underscoring their deep economic linkages. Despite differences in economic structures and levels of development, they also share some notable similarities, for example, in their focus on technology, public sector-led financial systems and leadership in financial technology (fintech) innovation.

Trade between China and India is substantial and continues to grow, underscoring their deep economic linkages.

Both nations also face significant structural challenges. China's population has begun to decline, raising questions about its growth trajectory. India, while benefiting from its young population and higher birth rates, must address the challenge of generating sufficient well-paying jobs to support middle-class expansion and drive domestic consumption.

Even though China and India will have to navigate their domestic and global challenges, with effective policy reforms they will be able to shape their own and, by extension, the trajectory of the global economy in the years to come.

⁴ Sophie Malin and Ashima Tyagi, 'India's Demographic Dividend: The Key to Unlocking Its Global Ambitions', *S&P Global*, 3 August 2023, <https://www.spglobal.com/en/research-insights/special-reports/look-forward/india-s-demographic-dividend-the-key-to-unlocking-its-global-ambitions>.

The Setting

Historically, China and India have been major centres of global economic activity, renowned for their rich traditions of trade and innovation. Colonialism and geopolitical upheavals, however, relegated both nations to the margins of global economic power for much of the 19th and early 20th centuries. Their resurgence began in the late 20th century, driven by transformative economic reforms in both countries.

These reforms have laid the foundation for their re-emergence as important economic players globally.

China's 'Reform and Opening Up' policy in 1978, followed by its accession to the World Trade Organization (WTO) in 2001, ushered in an era of unprecedented growth, lifting some 800 million people out of poverty.⁵ India, meanwhile, embarked on its economic liberalisation in 1991, achieving an average growth rate of 6.2 per cent (in constant 2015 United States [US] dollars) since then.⁶ These reforms have laid the foundation for their re-emergence as important economic players globally.

China and India's contributions to global GDP in PPP terms have increased manifold since 1990 (Table 1). Amongst the five largest economies of the world, only China and India's contributions have grown positively – by approximately 5.5 times and two times respectively, while the shares of the other three major economies have declined. It is noteworthy that the combined share of China and India in global GDP (PPP) increased from 6.3 per cent in 1990 to 25.6 per cent in 2021. As a result, China is now the largest economy in PPP terms, contributing 18.6 per cent to global output, while India ranks third, ahead of Japan, accounting for seven per cent of global GDP.

⁵ 'Lifting 800 Million People Out of Poverty – New Report Looks at Lessons from China's Experience', Press Release, World Bank Group, 1 April 2022, <https://www.worldbank.org/en/news/press-release/2022/04/01/lifting-800-million-people-out-of-poverty-new-report-looks-at-lessons-from-china-s-experience>.

⁶ 'GDP (constant 2015 US\$) – India', World Bank National Accounts Data and OECD National Accounts data files, <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD?locations=IN>.

Table 1: Share of Top Five Largest Economies to Global Gross Domestic Product in Purchasing Power Parity

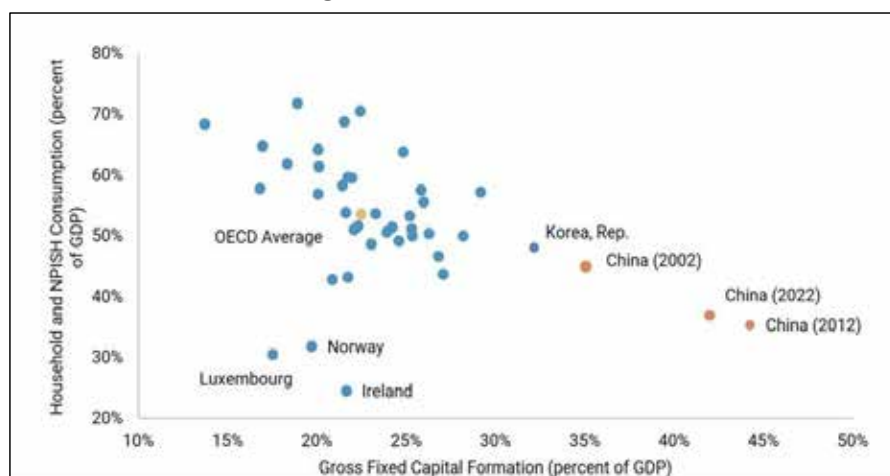
Country	Share of Global GDP in PPP, 1990 (%)	Share of Global GDP in PPP, 2021 (%)
United States	20.6	15.7
China	3.3	18.6
Japan	8.3	3.8
Germany	6	3.3
India	3	7

Source: Compiled from the IMF's World Economic Outlook database

China has established itself as the world's largest manufacturing hub and a leader in advanced manufacturing, renewable energy and digital technologies. China's sources of growth have evolved over time.⁷ In the first two decades after its opening up, growth was driven by improving total factor productivity, as large quantity of labour moved from low-productivity agriculture to higher productivity manufacturing. Since the late 1990s, however, the driving force of China's growth has been investment. Increasing the share of domestic consumption in GDP has been a focus of policymakers for the past several years. The share of agriculture, industry and services in China's GDP was 6.8 per cent, 36.5 per cent and 56.7 per cent respectively in 2024.⁸

Since the late 1990s, however, the driving force of China's growth has been investment.

Figure 1: Household Consumption and Gross Fixed Capital Formation of the OECD Countries and Average in 2022 versus China in 2002, 2012 and 2022

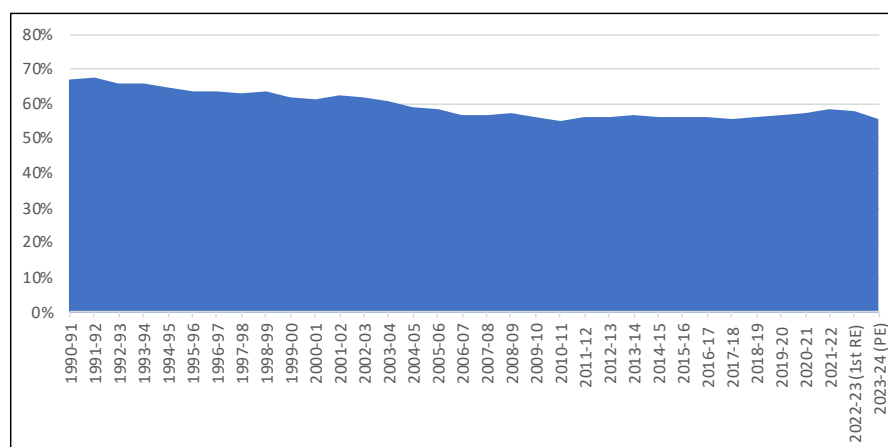


Source: 'No Quick Fixes: China's Long-Term Consumption Growth', Report by the Rhodium Group, 18 July 2024, <https://rhg.com/research/no-quick-fixes-chinas-long-term-consumption-growth/>

India's services sector has consistently contributed strongly to its overall GDP.

India, on the other hand, has grown mainly due to its strength in services, robust domestic consumption and, presently, innovations in information technology (IT), pharmaceuticals and renewable energy. India's services sector has consistently contributed strongly to its overall GDP. From around 37 per cent in 1990,⁹ the share of services increased to 55 per cent of the Indian economy's size in fiscal year 2024.¹⁰ Similarly, India's domestic consumption, as captured by the share of private final consumption expenditure (PFCE) in its GDP, has been robust with mostly a share of over 50 per cent in the last three decades (Figure 2). Even during the COVID-19 pandemic, although PFCE fell in absolute terms, its contribution to GDP was still at a high of 57 per cent.

Figure 2: PFCE as a Share of GDP – India



Source: Calculated from Economic Survey of India 2023-2024, Statistical Appendix, Table 1.7: Components of Gross Domestic Product at Constant Prices, Ministry of Finance, Government of India; <https://www.indiabudget.gov.in/economicsurvey/>

⁷ Tao Zha, 'The Challenging Transition from Investment- to Consumption-Led Growth in China', *Reporter*, 23 July 2024, <https://www.nber.org/reporter/2024number2/challenging-transition-investment-consumption-led-growth-china>.

⁸ C Textor, 'Distribution of the gross domestic product (GDP) across economic sectors in China from 2014 to 2024', Statista, 17 January 2025, <https://www.statista.com/statistics/270325/distribution-of-gross-domestic-product-gdp-across-economic-sectors-in-china/>.

⁹ 'Service sector in India – Statistics & Facts', *Statista*, 12 March 2024, <https://www.statista.com/topics/10982/service-sector-in-india/>.

¹⁰ 'Services Sector Continues to Contribute Significantly to India's Growth, Accounts for 55 Per Cent of Total Size of the Economy in FY24', *Press Information Bureau*, New Delhi, India, 22 July 2024, <https://pib.gov.in/PressReleasePage.aspx?PRID=2034920>.

More recently, China's economy has shown signs of slowing down as it transitions from an investment and real estate-driven growth model to one focused on innovation and domestic consumption. The National People's Congress in March 2025 set a growth target of five per cent and announced additional policy support, including to counter the impact of the latest wave of US tariffs on Chinese products.¹¹ While India does not have a formal growth target, and despite facing economic headwinds, projections by the IMF suggest a growth of 6.5 per cent in 2025-26. Despite a slowdown from seven per cent in 2024, this still makes it the world's fastest-growing major economy. To further support consumption and boost private investment, India, in its recently unveiled 2025 budget, announced tax cuts and support for lower and middle-income segments of the population.

Together, China and India are projected to contribute 50 per cent of global growth in 2025.¹² Given their extensive global trade and supply chain linkages, shocks to their economies have far-reaching implications. A one-per cent growth slowdown in China, for example, can reduce economic growth in the Asia-Pacific region by an estimated 0.3 percentage points.¹³ While India's spillover effects are currently less pronounced, its growing integration into global markets suggests that its influence will continue to expand.

Given their extensive global trade and supply chain linkages, shocks to their economies have far-reaching implications.

China and India are also significant players in global trade. China is the largest goods exporter in the world contributing to over 15 per cent of global merchandise exports.¹⁴ Its large global trade surplus indicates its export competitiveness, led by its manufacturing exports.¹⁵

¹¹ Peter Hoskins and Kelly Ng, 'China targets 5% growth as it reels from Trump tariffs', *BBC*, 5 March 2025, <https://www.bbc.com/news/articles/c8x4vj8rj9wo>.

¹² 'India and China to shape future global economy: Experts', *The Economic Times*, 14 November 2024, <https://economictimes.indiatimes.com/news/economy/policy/india-and-china-to-shape-future-global-economy-experts/articleshow/115291476.cms?from=mdr>.

¹³ 'Transcript of Press Briefing: Asia Pacific Department Regional Economic Outlook April 2024', International Monetary Fund, 20 April 2024, <https://www.imf.org/en/News/Articles/2024/04/30/tr043024-apd-reo-transcript>.

¹⁴ 'China's share of merchandise and commercial service exports in global exports from 2016 to 2022', *Statista*, <https://www.statista.com/statistics/256604/share-of-chinas-exports-in-global-exports/>.

¹⁵ Pierre-Olivier Gourinchas, Ceyla Pazarbasioglu, Krishna Srinivasan and Rodrigo Valdés, 'Trade Balances in China and the US Are Largely Driven by Domestic Macro Forces', IMF Blogs, 12 September 2024, <https://www.imf.org/en/Blogs/Articles/2024/09/12/trade-balances-in-china-and-the-us-are-largely-driven-by-domestic-macro-forces>.

For instance, in 2023, about 94 per cent of China's exports were manufactured goods.¹⁶ Chinese businesses are deeply integrated with the global markets through their extensive presence in supply chains. China is also a leader in maritime shipping with a consistently high rank in the Liner Shipping Connectivity Index of the United Nations Trade and Development since 2006.¹⁷

Unlike China, however, India is a net importer in global trade, which is primarily due to its high imports of energy and industrial products.

The share of trade in India's GDP increased from 15.5 per cent in 1990 (when India introduced its economic reforms) to 49.2 per cent in 2022.¹⁸ India's merchandise exports rose from US\$314 billion (S\$426.7 billion) in 2013-14 to US\$451 billion (S\$612.8 billion) in 2022-23.¹⁹ India's exports are relatively more capital intensive in nature and in areas that are skill-intensive – both in manufacturing and services.²⁰ Unlike China, however, India is a net importer in global trade, which is primarily due to its high imports of energy and industrial products. India has displayed greater proficiency in the export of services with its growth in services exports regularly exceeding its growth in merchandise exports with telecommunication services, including computer and information services, and other business services leading the services export growth.²¹

¹⁶ UNCTAD Country Profiles: General Profile-China; <https://unctadstat.unctad.org/CountryProfile/GeneralProfile/en-GB/156/index.html>.

¹⁷ 'Maritime connectivity: countries vie for positions', United Nations Trade and Development, 17 July 2019, <https://unctad.org/news/maritime-connectivity-countries-vie-positions>; and Maritime Profile: China, United Nations Trade and Development; <https://unctadstat.unctad.org/CountryProfile/MaritimeProfile/en-GB/156/index.html>.

¹⁸ Mayank Khurana, 'How is India's trade landscape shaping up for the future?', *Economics Observatory*, 21 March 2024, <https://www.economicsobservatory.com/how-is-indias-trade-landscape-shaping-up-for-the-future>.

¹⁹ Ibid.

²⁰ 'India Development Update: India's Trade Opportunities in a Changing Global Context', The World Bank, September 2024, <https://documents1.worldbank.org/curated/en/099513209032434771/pdf/IDU113d06cd810fec1465e1a7e318a711ea131b8.pdf>.

²¹ Ibid.

Bilateral Economic Relations

China and India share a 3,488-kilometre-long land border, parts of which are disputed territory. Their bilateral economic relations have been significantly influenced and shaped by the state of tensions along this border. Recent border disputes since 2020, for example, have strained economic ties, leading to increased scrutiny of Chinese investments in India. While trade between the two nations has continued to grow despite these frictions, policy shifts, particularly those concerning investment regulations and market access, have played a significant role in shaping their economic interactions. These tensions underscore the challenge of maintaining stable economic relations while addressing national security concerns.

These tensions underscore the challenge of maintaining stable economic relations while addressing national security concerns.

Also, the COVID-19 pandemic prompted India to reduce its reliance on Chinese imports and seek alternative trade partnerships to enhance supply chain resilience and diversify its sources of critical goods and materials. As a result, India has actively pursued policies aimed at strengthening domestic manufacturing and expanding engagement with other global partners, striving for a more self-reliant and resilient economic framework.

Nevertheless, over the past two decades, economic ties between China and India have deepened, with trade emerging as the cornerstone of their bilateral relationship. In 2023, bilateral trade surpassed US\$138 billion (S\$185 billion), solidifying China's position as India's largest trading partner.²² Chinese exports of US\$122 billion (S\$163 billion) were led by electrical and electronic equipment, machinery and organic chemicals, catering to India's industrial and consumer markets. India's significantly smaller US\$16.2 billion (S\$21.7 billion) worth of exports to China were led by fish and crustaceans, organic chemicals and apparel. The resulting substantial and growing bilateral

²² Qian Zhou and Giulia Interesse, 'China-India Economic Ties: Trade, Investment, and Opportunities', *China Briefing*, 11 October 2024, <https://www.china-briefing.com/news/china-india-economic-ties-trade-investment-and-opportunities/>.

trade deficit that India faces is an ongoing source of concern for Indian policymakers. To address this imbalance, India has focused on strengthening domestic production under initiatives like 'Make in India'.

Prior to the 2020 border tensions, China was also a key investor in India's technology and infrastructure sectors. Chinese firms made significant investments in India's technology startups, spanning e-commerce, fintech and ride-hailing platforms, while also contributing to infrastructure projects in energy, telecommunications and construction.²³ Although Indian companies have a more limited presence in China, sectors like pharmaceuticals and IT services have gained traction, with India aiming to tap into China's vast consumer market to expand its exports.²⁴

The benefits of increased economic relations clearly hold immense potential.

The meeting between China's President Xi Jinping and Indian Prime Minister Narendra Modi on the sidelines of the BRICS²⁵ summit in Kazan, Russia, in October 2024 signalled a thaw in China-India relations, with implications for increased economic cooperation going forward. While the meeting followed an agreement to resolve the four-year military standoff along the disputed Himalayan border, aiming to restore peace and stability in the region, building mutual trust will be a lengthy process and likely to experience ups and downs. The benefits of increased economic relations clearly hold immense potential.

²³ Ma Tong and Zhang Yiyi, 'Chinese firms' reported comeback in India signals positive economic co-op', *Global Times*, 25 December 2024, <https://www.globaltimes.cn/page/202412/1325762.shtml>.

²⁴ Qian Zhou and Giulia Interesse, 'China-India Economic Ties: Trade, Investment, and Opportunities', op. cit.

²⁵ An intergovernmental organisation which initially comprised Brazil, Russia, India, China and South Africa, has now expanded to 10 countries. It now also includes Egypt, Ethiopia, Indonesia, Iran and the United Arab Emirates. See <https://infobrics.org/>.

China+1: India's Role in Global Supply Chain Diversification

Geopolitical tensions between the US and China have accelerated efforts by multinational corporations (MNCs) to diversify supply chains beyond China (termed the China+1 strategy), positioning India as a potentially attractive alternative. This shift has drawn increased foreign direct investment (FDI), particularly in electronics, pharmaceuticals, automotive and textiles. Companies like Apple have expanded iPhone production in India through Foxconn, Pegatron and Wistron, while Samsung and Dell have strengthened their manufacturing presence to reduce dependence on China. This has been supported by policies to promote local production (for example, through the Production Linked Incentive [PLI], the details of which are in the chapter on 'Development Strategies and the Role of Industrial Policy'). Sub-national governments at the state level are also taking steps to attract investors looking to diversify from China.²⁶ The expansion of manufacturing has created new employment opportunities, particularly in assembly, logistics and engineering. However, stringent labour laws, low workforce skill levels and infrastructure constraints continue to present challenges. Additionally, India faces competition from Vietnam, Indonesia and Thailand, which offer business-friendly environments and strong logistics networks that appeal to global investors.

Additionally, India faces competition from Vietnam, Indonesia and Thailand, which offer business-friendly environments and strong logistics networks that appeal to global investors.

Chinese firms operating in India have had to navigate an evolving regulatory landscape due to investment restrictions in sectors like telecommunications and fintech. Despite this, many continue to invest through subsidiaries and joint ventures. Smartphone giants like Xiaomi, Oppo and Vivo have set up local manufacturing plants, contributing to job creation and supply chain development.²⁷ India

²⁶ 'Apple's quiet pivot to India', *Financial Times*, 18 February 2025, www.ft.com.

²⁷ Kumar Priyadarshi, 'Why Chinese Smartphone Leaders are Interested in Having Indians Manufacture Their Phones', *technovedas*, 6 July 2024, <https://technovedas.com/why-chinese-smartphone-leaders-are-interested-in-having-indians-manufacture-their-phones/>.

At the same time, some Chinese firms, facing regulatory challenges in India, are choosing to expand into Vietnam and Indonesia instead of increasing their footprint in India.

remains dependent on Chinese imports for key industrial components and intermediates, particularly in electronics, pharmaceuticals and solar energy. However, in its efforts to capitalise on the firms' China+1 strategy, the Indian government is encouraging localisation through targeted incentives and partnerships. At the same time, some Chinese firms, facing regulatory challenges in India, are choosing to expand into Vietnam and Indonesia instead of increasing their footprint in India.

While India-China trade remains strong, India's reliance on Chinese imports highlights economic interdependence amid ongoing tensions. The China+1 shift offers India significant opportunities, including increased FDI, job creation and industrial expansion, particularly in electronics and infrastructure. However, challenges such as infrastructure limitations, regulatory complexities and skill gaps in high-technology manufacturing still hinder India's competitiveness against Vietnam and other Southeast Asian economies.

To fully capitalise on the China+1 strategy, India must prioritise policy stability, improve infrastructure and streamline and simplify regulations. Addressing these challenges will be crucial to positioning India as a global manufacturing hub and ensuring long-term success in capitalising on the firms' supply chain diversification strategies.

Climate Challenges

Both China and India are crucial to the global fight against climate change. They have been vocal in the international community on addressing the dangers of climate change and have been active in climate conversations. This common acknowledgement and recognition of the perils of climate change has made both countries leaders in the renewable energy transition. China and India stood at first and fourth place respectively in 2023 in country-wise installed renewable energy capacity worldwide.²⁸ China has committed to net-zero/carbon neutrality by 2060 and followed up with massive investments in solar, wind and electric vehicles (EV). India has committed to net-zero by 2070 and committed to some of the most ambitious clean-energy targets.²⁹ Both countries have been pursuing their commitments seriously and have been achieving their renewable energy targets, notwithstanding varying capacities.³⁰

This common acknowledgement and recognition of the perils of climate change has made both countries leaders in the renewable energy transition.

China and India are highly vulnerable to the impacts of climate change, including rising temperatures, water scarcity and extreme weather events with large social and economic consequences. The two countries are among the largest contributors to global carbon emissions, with China accounting for approximately 25 per cent and India seven per cent at end 2022.³¹ Their rapid development, urbanisation and reliance on fossil fuels have amplified their environmental footprint and any global effort to address climate change requires China and India as key partners.

²⁸ 'Leading countries in installed renewable energy capacity worldwide in 2023 (in gigawatts)', *Statista*; <https://www.statista.com/statistics/267233/renewable-energy-capacity-worldwide-by-country/>.

²⁹ Prys-Hansen, Miriam, 'Competition and Cooperation: India and China in the Global Climate Regime', *GIGA Focus Asia*, 4, Hamburg: German Institute for Global and Area Studies (GIGA), 2022, <https://doi.org/10.57671/gfas-22042>; <https://www.giga-hamburg.de/en/publications/giga-focus/competition-and-cooperation-india-and-china-in-the-global-climate-regime>.

³⁰ 'China and India Lead Global Renewable Energy Transition', *UN Climate Change News*, 21 April 2017, <https://unfccc.int/news/china-and-india-lead-global-renewable-energy-transition>.

³¹ Johannes Friedrich, Mengpin Ge, Andrew Pickens and Leandro Vigna, 'The Interactive Chart Shows Changes in the World's Top 10 Emitters', World Resources Institute, 2 March 2025, <https://www.wri.org/insights/interactive-chart-shows-changes-worlds-top-10-emitters>.

Among others, both countries play critical roles in global climate negotiations, particularly in advocating the interests of developing countries.

Both countries recognise that in addition to large economic costs, climate events can undermine the stability and health of their financial systems as well as the fact that the financial systems can be important contributors to channelling resources to sustainable sectors. China now has the world's largest green bond market with investments in renewable energy, EV and carbon capture technologies. India's environment, social and governance market is also taking off, albeit from a low level. In 2024, the Indian government successfully issued two green bonds with yields below those of similar government securities (premium for green bonds also known as 'greenium').³² Despite geopolitical differences, China and India share common interests in addressing climate change. Among others, both countries play critical roles in global climate negotiations, particularly in advocating the interests of developing countries.

Addressing climate challenges requires sustained and coordinated efforts from China and India. By strengthening bilateral and multilateral cooperation, investing in green technologies and aligning their climate policies with sustainable development goals, Beijing and New Delhi can lead the global transition toward a more sustainable future.

³² Policy Circle Bureau, 'Sovereign green bonds: Why investors are holding back', *Policy Circle*, 17 February 2025, <https://www.policycircle.org/environment/what-are-sovereign-green-bonds/>.

Technology, Financial Systems and Fintech Innovations

China and India have also emerged as leaders in technological innovation. China is now a global leader in various technology sectors, driven by government policies, vast investments and a strong industrial ecosystem. China aims to be the world leader in artificial intelligence (AI) by 2030 with companies like Baidu, Alibaba, Tencent and Huawei being major AI players.³³ China's AI applications in facial recognition, smart cities and healthcare are widespread. China has invested heavily in semiconductor self-sufficiency to reduce reliance on Western technology. Companies like the Semiconductor Manufacturing International Corporation are key players. The US' sanctions on sale of semiconductors and related equipment to China have created challenges but have also pushed China to further accelerate its domestic chip production. China is now the largest EV and EV battery manufacturer in the world.³⁴ Its main producer, BYD, has surpassed Tesla in EV sales.³⁵ Strong government incentives have accelerated EV adoption in China and its EV exports globally are rapidly rising, even as it faces challenges from tariffs in the US and the European Union (EU). China leads the world in green technology as it is the largest producer of solar panels and wind turbines globally.³⁶ Restrictions placed on technology exports by the US, intellectual property concerns and trust issues with its technology pose challenges for China. Despite these challenges, China continues to push forward

Restrictions placed on technology exports by the US, intellectual property concerns and trust issues with its technology pose challenges for China.

³³ Pablo Robles, 'China plans to be a world leader in Artificial Intelligence by 2030', *South China Morning Post*, 1 October 2018, <https://multimedia.scmp.com/news/china/article/2166148/china-2025-artificial-intelligence/index.html>.

³⁴ Yoshika Kaku, 'China's market share in key EV battery components tops 80%', *Nikkei Asia*, 26 September 2024, <https://asia.nikkei.com/Spotlight/Electric-cars-in-China/China-s-market-share-in-key-EV-battery-components-tops-80>.

³⁵ David Fickling, 'It's Not Tesla in BYD's Sights. It's the Whole Car Industry', *Bloomberg*, 3 January 2024, https://envoy.east-us.cumulus.bloomberg.com/opinion/articles/2024-01-03/ev-makers-byd-overtakes-tesla-sales-has-world-in-sight?utm_medium=cpc_search&utm_campaign=NB_ENG_DSAXX_DSAXXXXXXXXXXX_EVG_XXXX_XXX_Y0629_EN_EN_X_BLOM_GO_SE_XXX_XXXXXXXXXX&gad_source=1&gclid=EAlaIqobChMlg475jpudjAMVdKRmAh2iIBIAEAAAYASAAEgIDy_D_BwE&gclid=aw.ds.

³⁶ Aiqun Yu, Sophie Lu, Kasandra O'Malia and Shradhey Prasad, 'China continues to lead the world in wind and solar, with twice as much capacity under construction as the rest of the world combined', *Global Energy Monitor*, July 2024, <https://globalenergymonitor.org/report/china-continues-to-lead-the-world-in-wind-and-solar-with-twice-as-much-capacity-under-construction-as-the-rest-of-the-world-combined/>.

with aggressive research and development (R&D) investments, state-led initiatives and strategic partnerships to maintain its global technology leadership.

It has a vibrant startup ecosystem which is the third largest in the world with over 100 unicorns leading the innovation space.

India, on the other hand, is a long recognised global IT powerhouse. It has a vibrant startup ecosystem which is the third largest in the world with over 100 unicorns leading the innovation space.³⁷ In particular, a major structural aspect that has introduced a new dimension and propelled India's next stage of growth comes from India's innovations in the digital economy space. Beginning from *Aadhaar*, India's unique identity, which is also the world's largest biometric identity initiative launched in 2009,³⁸ India has progressed significantly in its digital innovations. It has rapidly developed its Digital Public Infrastructure (DPI), or what is also popularly known as the 'India Stack',³⁹ which has played a key role in social transformation and economic empowerment as it streamlines access to both social and economic goods. With endless possibilities offered by financial digitisation, it is a key factor in enabling India into the next stage of high economic growth and development that will have a country-level impact and will also facilitate India leadership at a global level.⁴⁰

Despite differences in structure and level of development, China and India's financial systems share several key similarities. Both countries have a dominant banking sector where state-owned banks/public banks play a crucial role in financial intermediation and credit allocation. China's 'Big Four' state-owned banks – the Industrial and Commercial Bank of China, Agricultural Bank of China, China Construction Bank and Bank of China – are the largest banks in the

³⁷ See StartUp India website at <https://www.startupindia.gov.in/content/sih/en/international/go-to-market-guide/indian-startup-ecosystem.html>; and 'List of 117 unicorn startups in India (December 2024)', *Tracxn*; https://tracxn.com/d/unicorns/unicorns-in-india/_ujYf3QI9FSnpS3x-zJCSwnay2nENQhm1kAN-U8-6Kfg.

³⁸ Anjishnu Das, 'The Aadhaar journey: From flagship Cong project to cornerstone of BJP's 'Digital India'', *The New Indian Express*, 5 January 2024; <https://indianexpress.com/article/political-pulse/aadhaar-journey-bjp-digital-india-9095394/>.

³⁹ 'India's Digital Public Infrastructure: Accelerating India's Digital Inclusion', NASSCOM, February 2024, https://community.nasscom.in/sites/default/files/publicreport/Digital%20Public%20Infrastructure%2022-2-2024_compressed.pdf.

⁴⁰ Klaus Schwab, 'How India is carving out its role in the Intelligent Age', World Economic Forum, 20 September 2024, <https://www.weforum.org/stories/2024/09/india-role-in-the-intelligent-age/>.

world by assets.⁴¹ Together with other state-owned commercial banks, they hold approximately 40 per cent of total banking assets.⁴² In India, public sector banks (PSBs) play an even larger role, accounting for around 60 per cent of total banking assets.⁴³ While commercial considerations arguably are primary in the banks' lending decisions, the governments in China and India actively direct bank credit toward priority sectors such as infrastructure, agriculture and small businesses.

Beyond traditional commercial banks, both countries have witnessed a rapid expansion of non-bank financial institutions and shadow banking activities, often driven by regulatory arbitrage. In China, trust loans, entrusted loans and wealth management products grew at an unprecedented pace, allowing the financial institutions to circumvent traditional banking regulations. By 2017, shadow banking assets had ballooned to an estimated 87 per cent of GDP, posing systemic risks.⁴⁴ The Chinese government launched a major crackdown on shadow banking that year, forcing financial institutions to bring off-balance-sheet activities under tighter regulatory oversight. This led to a sharp contraction in credit growth, with particularly severe spillovers in the real estate sector and among private enterprises that had relied on such financing.

In China, trust loans, entrusted loans and wealth management products grew at an unprecedented pace, allowing the financial institutions to circumvent traditional banking regulations.

India experienced a similar trajectory in the shadow banking sector, albeit with a different timeline. Following regulatory tightening in 2018, many commercial banks, especially PSBs, were constrained by high levels of non-performing assets and reduced their lending. Non-bank financial companies (NBFCs) stepped in to fill the credit gap, leading to a rapid expansion of the sector. However, this unchecked growth culminated in financial instability, with the defaults of two systemically important NBFCs – Infrastructure Leasing & Financial Services in 2018 and Dewan Housing Finance Corporation in 2019.

⁴¹ 'Largest banks worldwide as of December 2023, by assets', *Statista*, 2 June 2024, <https://www.statista.com/statistics/269845/largest-banks-in-the-world-by-total-assets/>.

⁴² *Ibid.*

⁴³ 'Banking Sector in India', India Bank Equity Foundation, January 2025, <https://www.ibef.org/industry/banking-india>.

⁴⁴ Andrew Croke, 'China emerges from the shadows', International Bar Association, <https://www.ibanet.org/article/8DA31967-5708-487E-84DA-4455ABB5D00D>.

These defaults triggered liquidity shortages and had ripple effects across India's broader financial system.

Both China and India serve as case studies of how regulatory arbitrage of non-bank institutions can spill over into the broader financial system and the economy, reinforcing the need for stronger regulatory oversight, greater transparency and improved risk management practices. Following these financial sector stress episodes, both countries tightened their non-bank/shadow banking regulation significantly.

This inclusion is anticipated to trigger an inflow of passive funds over the next couple of years, enhancing liquidity and attracting foreign investment into India's bond market.

Compared to their traditionally bank-dominated financial systems, capital markets in China and India are still developing. However, due to their sheer size, they have already become significant players globally. China has the world's second largest bond market trailing only the US.⁴⁵ India's bond market, while smaller in comparison, is experiencing rapid growth as corporations seek long-term financing alternatives to traditional bank lending. Like China, which saw its sovereign bonds included in global indices in 2019, India's sovereign bonds were added to JP Morgan's Global Emerging Markets Bond Index in June 2024, with full inclusion expected by March 2025.⁴⁶ This inclusion is anticipated to trigger an inflow of passive funds over the next couple of years, enhancing liquidity and attracting foreign investment into India's bond market.

As it relates to equity markets, China ranks as the second largest globally,⁴⁷ with a total market capitalisation of approximately US\$7.7 trillion (S\$10.3 trillion) as of end 2024.⁴⁸ India has also made remarkable progress, recently surpassing the United Kingdom to

⁴⁵ Zhang Shidong 'Chinese bonds' biggest bull run in a decade stumbles as re-rated stocks take the spotlight', *South China Morning Post*, 13 March 2025, <https://www.scmp.com/business/china-business/article/3302199/chinese-bonds-biggest-bull-run-decade-stumbles-re-rated-stocks-take-spotlight>.

⁴⁶ Sachin Gadekar, 'India's Inclusion in JP Morgan's Bond Index', JP Morgan, 30 September 2024, <https://tapinvest.in/blog/bond-index-india-jp-morgan-inclusion/>.

⁴⁷ 'Largest stock exchange operators worldwide 2025, by market capitalization', *Statista*, 10 March 2025, <https://datasetsearch.research.google.com/search?ref=TDJjdk1URndkMlkxZERWM1pnPT0sTDJjdk1URndkMlkxTUR-Jd2FBPT0sTDJjdk1URndkMlkxTUdvMk1RPT0%3D&query=China%20ranks%20as%20the%20second%20largest%20equity%20market%20globally&docid=L2cvMTFwd2Y0dDV3Zg%3D%3D>.

⁴⁸ 'A Grand Opening: What Does Access to the China Interbank Bond Market Mean for Institutional Investors?', BNP Paribas, <https://cib.bnpparibas/app/uploads/sites/2/2021/03/cibm-whitepaper-light.pdf>.

become the fourth largest stock market in the world, with a market capitalisation of about US\$3.9 trillion (S\$5.2 trillion).⁴⁹ Despite their global prominence, both Chinese and Indian equity markets experience significant volatility. This is partly due to the relatively underdeveloped domestic institutional investor base, impact of decisions of foreign institutional investors, regulatory uncertainties and concerns over corporate governance.

To enhance financial stability and improve the efficiency of capital markets, Beijing and New Delhi will need to undertake further reforms. Strengthening corporate bond markets will be essential for fostering competition within the financial system and providing long-term financing, particularly for high-growth and innovative sectors. Furthermore, improvements in market transparency, including greater reliability of credit rating agencies and financial disclosures will be critical in ensuring investor confidence. Expanding institutional investor participation will also help mitigate excessive market volatility and encourage more stable, long-term capital flows.

Expanding institutional investor participation will also help mitigate excessive market volatility and encourage more stable, long-term capital flows.

Both China and India are leveraging fintech to modernise their financial systems and expand financial inclusion. China has pioneered digital finance with platforms such as Alipay and WeChat Pay, which now account for over 90 per cent of the country's mobile payment transactions.⁵⁰ Additionally, China has taken a leading role in the development of central bank digital currencies (CBDCs) through its digital yuan (e-CNY) initiative, which is undergoing extensive trials across multiple cities. India's digital finance revolution has been equally transformative, led by the 'India Stack' initiative. The Unified Payments Interface (UPI) has become a global benchmark for instant digital transactions – it achieved a historic milestone by processing 16.58 billion financial transactions in October 2024 alone.⁵¹ This is

⁴⁹ 'Countries ranked by Market Cap', <https://companiesmarketcap.com/all-countries/>.

⁵⁰ 'Number of users of Alipay and WeChat Pay in China in 2020, with forecasts from 2021 to 2025', *Statista*, 29 May 2024, <https://www.statista.com/statistics/1271130/mobile-wallet-user-forecast-in-china/>.

⁵¹ Santosh Kumar, Ritu Kataria and Saurabh Kalia, 'UPI: Revolutionizing Digital Payments in India', *Press Information Bureau*, Government of India, 1 December 2024, <https://pib.gov.in/PressReleasePage.aspx?PRID=2079544>.

India has also launched its own CBDC pilot programme, reflecting a cautious yet ambitious approach to digital currency adoption.

being adopted by several countries and institutions around the world.⁵² India has also launched its own CBDC pilot programme, reflecting a cautious yet ambitious approach to digital currency adoption.

Looking ahead, the continued development of capital markets, improvements in regulatory oversight and fintech-driven innovations will be key to ensuring resilient and efficient financial systems in both China and India. As the two largest emerging economies, China and India's financial evolution will not only shape domestic economic trajectories but also influence global financial trends in the years to come.

⁵² Satwik Mishra, 'The international significance of India's Digital Public Infrastructure', World Economic Forum, 23 August 2023, <https://www.weforum.org/stories/2023/08/the-international-significance-of-indias-digital-public-infrastructure/>.

Reshaping Global Economic Governance

China and India share common objectives in reforming the global economic governance structures to reflect the evolving dynamics of the global economy. As prominent members of the G20 and other multilateral organisations, both nations advocate for a more inclusive and equitable global governance system. Their shared goals include (i) seeking enhanced representation; (ii) pursuing alternative governance mechanisms; and (iii) resisting membership in advanced-economy-led institutions perceived as relics of colonialism and Western economic dominance, such as the Paris Club.

It is unsurprising, then, that both countries have consistently called for greater representation of emerging economies in institutions like the IMF and the World Bank. Their voting rights and quota shares in the IMF, for example, remain disproportionate to their contributions to global GDP and trade (Table 2).

At the same time, China and India have supported the establishment of alternative political and economic frameworks such as the BRICS grouping, contingent credit lines and multilateral development banks (MDB), for example, the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB), to complement existing global institutions. While the BRICS grouping is expanding, with greater interest being shown by several developing countries recently in line with evolving global economic tensions, its effectiveness remains an open question. The NDB has emerged as a viable institution, providing targeted financial and developmental support to its members.

Historically, both China and India benefited from receiving development financing, but they are now net contributors and provide financing to other countries. While China's role as a major lender is well established, India has also emerged as a net creditor. This shift underscores the importance of effective sovereign debt restructuring frameworks that include the views of China and India, particularly

As prominent members of the G20 and other multilateral organisations, both nations advocate for a more inclusive and equitable global governance system.

Table 2: Shares in the World Economy and in MDBs: China, India and Select Comparators

	Share in GDP (US\$)		Share in GDP (US\$ PPP)		Shareholding in IBRD		Quota Share in IMF		Shareholding in ADB		Shareholding in AIIB	Shareholding in NDB
	1990	2020	1990	2020	1990	2020	1990	2020	1990	2020	2020	2020 ^{b/}
China	1.59	17.4	3.8	18.3	2.87	6.01	2.67	6.4	7.1	6.4	30.7	20
India	1.41	3.1	3.6	6.7	2.87	3.07	2.5	2.75	7	6.3	8.6	20
United States	26.2	24.7	20.3	15.8	16.95	16.77	20.04	17.45	14.8	15.6	–	–
Japan	13.8	6	8.4	4	8.12	7.2	4.7	6.48	14.8	15.6	–	–
United Kingdom	4.8	3.3	3.3	2.3	4.44	3.78	6.93	4.23	2.2	2	3.2	–
France	5.6	3.1	3.5	2.4	4.44	3.91	3.91	5.01	2.6	2.3	3.5	–
Germany	7.8	4.5	5.3	3.4	4.63	4.27	4.27	6.04	4.8	4.3	4.6	–

Note: IBRD refers to the International Bank for Reconstruction and Development and ADB refers to the Asian Development Bank.

Source: Bert Hofman and P S Srinivas, 'New Development Bank's Role in the Global Financial Architecture', *Global Policy Journal*, Vol. 15, Issue No. 2, June 2024, <https://www.globalpolicyjournal.com/articles/world-economy-trade-and-finance/new-development-banks-role-global-financial-architecture>

since 15 per cent of low-income countries are in debt distress, with another 45 per cent at high risk of debt distress.⁵³

Despite their creditor status, China and India have been reluctant to join the Paris Club, preferring alternative approaches to debt resolution. The IMF's Common Framework, designed for sovereign debt restructuring, does not apply to frontier economies and emerging markets. However, the Sri Lanka debt restructuring case was the first instance in which both China and India, as non-Paris Club members, agreed to a coordinated approach. This case highlighted the need for more efficient debt resolution mechanisms moving forward.

This case highlighted the need for more efficient debt resolution mechanisms moving forward.

China and India's push for global governance reform reflects their growing economic influence and strategic priorities. While they continue to seek greater representation in established institutions, they are also building alternative frameworks to address the limitations of traditional financial structures. Moving forward, balancing engagement with legacy institutions while strengthening new governance models will be key to shaping the future of international economic policymaking.

⁵³ 'Public Debt, Annual Report 2023', International Monetary Fund, <https://www.imf.org/external/pubs/ft/ar/2023/in-focus/public-debt/>.

Collaboration with the Global South

The two countries actively promote investments in infrastructure, technology and sustainable development projects across Africa, Asia and Latin America, contributing to economic growth and regional connectivity.

As leaders among the developing countries, China and India prioritise the interests of the Global South. However, both countries have competing interests. In the realm of trade and investment, Beijing and New Delhi are strengthening South-South cooperation. In the case of China, this is particularly through efforts such as the Belt and Road Initiative (BRI). India, in turn, is focusing on development partnerships.⁵⁴ The two countries actively promote investments in infrastructure, technology and sustainable development projects across Africa, Asia and Latin America, contributing to economic growth and regional connectivity.

Climate and sustainability goals remain central to their cooperation. China and India advocate for greater financial and technological support from the developed nations to address climate challenges faced by the Global South.⁵⁵ They also push for the fulfilment of commitments under the Paris Agreement, emphasising climate financing and capacity building to ensure a just and inclusive transition to sustainable energy sources.⁵⁶

Technological and knowledge sharing is another area of collaboration. Both nations facilitate the transfer of technology and expertise in renewable energy, digital infrastructure and education to less developed countries, fostering innovation and human capital development.⁵⁷ By expanding digital access and supporting renewable energy projects, they contribute to the broader development agenda of the Global South.

⁵⁴ 'China, India back global climate deal, *World Nuclear News*, 19 May 2015, <https://world-nuclear-news.org/Articles/China-India-back-global-climate-deal>.

⁵⁵ Chloé Farand, 'China and India demand cash for climate action on eve of UN summit', *Climate Change News*, 17 September 2019, <https://www.climatechangenews.com/2019/09/17/china-india-demand-cash-climate-action-eve-un-summit/>.

⁵⁶ 'China, India back global climate deal', op. cit.

⁵⁷ Bo Wang and Jianda Wang, 'China's green digital era: How does digital economy enable green economic growth?', *Innovation and Green Development*, Volume 4, Issue 1, February 2025, <https://www.sciencedirect.com/science/article/pii/S2949753125000013>; and 'Technology Development and Transfer', Department of Science & Technology, <https://dst.gov.in/technology-development-and-transfer>.

Despite significant progress, achieving these shared goals requires addressing several challenges. Divergent priorities can create friction, as each nation has its own strategic interests and policy approaches. Geopolitical rivalries, including strategic competition and territorial disputes, have the potential to undermine collaborative efforts in global governance. Additionally, institutional resistance from established powers within traditional global institutions can slow the pace of reform and hinder efforts to reshape the global economic order.

Divergent priorities can create friction, as each nation has its own strategic interests and policy approaches.

China and India's engagement with the Global South underscores their commitment to fostering a more equitable and multipolar world. By addressing these challenges and deepening their cooperation, Beijing and New Delhi can further enhance their leadership in advancing sustainable and inclusive development.

Development Strategies and the Role of Industrial Policy

In a global climate increasingly impacted by external uncertainties since 2019, India and China have pivoted and carefully devised their strategies for future growth and development.

The policies opened the Indian economy to the world and it was the backbone of the robust growth India experienced in the first decade of the millennium.

Historically, India adopted a planned strategy for development since its independence in 1947. The now discontinued five-year plans provided a focused and structured approach and strategy for growth. It was not until the 1980s that India started initiating economic reforms to transition to a more market-based economy. The beginning of the 1990s witnessed a substantive round of reforms comprising major policy changes in the milieu of globalisation, liberalisation and privatisation.⁵⁸ The policies opened the Indian economy to the world and it was the backbone of the robust growth India experienced in the first decade of the millennium. In the aftermath of the Global Financial Crisis of 2009, growth was adversely impacted and with a change in government, eventually, the five-year plans were discontinued. Since then, India's growth strategy has been guided by vision statements like *Atmanirbhar Bharat* (Self-Reliant India).⁵⁹

India is now set to become the third largest economy by 2030.⁶⁰ The COVID-19 pandemic in 2020 highlighted the imperatives it requires to address if it were to achieve self-reliance and become a developed nation by 2047. This led to the launch of several new economic policies aimed at addressing the capacity gaps in self-reliance and facilitating India's progress to a developed nation status.⁶¹ Several

⁵⁸ Vijay Kelkar and Ajay Shah, *In Service to the Republic: The Art and Science of Economic Policy* (India: Penguin Random House, 2019).

⁵⁹ 'Self-reliant India (Atmanirbhar Bharat Abhiyaan)', India Brand Equity Foundation; <https://www.ibef.org/government-schemes/self-reliant-india-aatm-nirbhar-bharat-abhiyan>.

⁶⁰ 'India is set to become the third-largest economy by 2030-31 with projected annual growth of 6.7%, according to S&P Global', *Press Release, S&P Global*, <https://www.spglobal.com/en/press/press-release/india-is-set-to-become-the-third-largest-economy-by-2030-31>.

⁶¹ Amitendu Palit, Vinod Rai, Shavinyaa Vijaykumarr, Divya Murali and Mekhla Jha, 'New Economic Policies in India: Their Economic Implications and Investment Prospects', ISAS Special Report, 28 October 2024, https://www.isas.nus.edu.sg/wp-content/uploads/2024/10/SADP_SpecialReport29_Complete.pdf.

critical areas, including augmenting domestic manufacturing capacities, boosting and developing key infrastructure facilities and improving skills and productivity, have been identified as essential to sustain economic growth and achieve global competitiveness. In addition to the PLI discussed earlier, a National Infrastructure Pipeline focused at seamless intra-country connectivity through public-private partnership is another key initiative aimed at achieving India's ambitious growth and development goals.⁶² To transform into a developed nation by 2047, India needs to sustain an annual GDP growth of 9-10 per cent for the next few decades.⁶³ It also needs to effectively leverage its demographic dividend over the same period. India has been focusing on modernising its labour laws⁶⁴ and upskilling the workforce with a special focus on vocational training initiatives.

India has been focusing on modernising its labour laws and upskilling the workforce with a special focus on vocational training initiatives.

As mentioned earlier, India has ambitious climate goals and leads the conversation on the subject for the Global South. It is a part of global collaborative efforts such as the International Solar Alliance which aims to mobilise US\$1 trillion (S\$1.36 trillion) investments in solar technologies and ease its deployment by 2030⁶⁵ and it is also part of the World Economic Forum's First Movers Coalition, a group of 13 countries and 80 companies working on making 'green' hard-to-abate sectors such as cement and steel.⁶⁶

Advancements in the DPI, exemplified by *Aadhaar* and the UPI, have enhanced financial inclusion in the country and streamlined public service delivery, serving as catalysts for broader economic innovation. India's digital economy, which amounted to 4.5 per cent of GDP in

⁶² Ibid.

⁶³ 'India needs to grow at 9-10 pc to become \$35 tn economy by 2047: Amitabh Kant', *The Economic Times*, 28 March 2024; https://economictimes.indiatimes.com/news/economy/indicators/india-needs-to-grow-at-9-10-pc-to-become-35-tn-economy-by-2047-amitabh-kant/articleshow/108858219.cms?from=mdr#google_vignette.

⁶⁴ Rahul Ranjan, 'The new labour codes in India – A step towards empowerment and economic growth', *The Times of India*, 8 October 2024, <https://timesofindia.indiatimes.com/blogs/blackslate-corner/the-new-labour-codes-in-india-a-step-towards-empowerment-and-economic-growth/>.

⁶⁵ 'Our Solar Future – Roadmap to Mobilize USD 1 Trillion by 2030', Working Paper, World Resources Institute, 9 November 2022, <https://www.wri.org/research/our-solar-future-roadmap-mobilize-usd-1-trillion-2030>.

⁶⁶ Borge Brende, Anish Shah and Sumant Sinha, 'How India's climate leadership is building a better future for all', *Hindustan Times*, 26 August 2023; <https://www.hindustantimes.com/ht-insight/climate-change/how-india-s-climate-leadership-is-building-a-better-future-for-all-101693038777756.html>.

2014, is set to contribute 20 per cent to GDP by 2026.⁶⁷ The number of internet subscribers between 2023 and 2024 rose from 881 million to 954 million. India is set to become a US\$1 trillion (S\$1.36 trillion) digital economy by 2028,⁶⁸ which will transform the economic fabric of the nation and aid in achieving its larger growth goals that have been laid out.

By maintaining a cautious yet pragmatic stance on trade liberalisation, India is aligning its external trade policies with its broader strategy of building domestic capacity and enhancing competitiveness.

On external trade, since the COVID-19 pandemic, India has adopted a strategic approach to trade policies and partnerships. New Delhi's trade strategy emphasises a balanced approach to global economic integration, focusing on selective trade liberalisation to protect domestic industries while engaging in bilateral free trade agreements (FTAs) with key partners like the United Arab Emirates, Australia and the EU. India sees these bilateral FTAs as instruments for strengthening regional supply chains and reducing dependence on a few partners. By maintaining a cautious yet pragmatic stance on trade liberalisation, India is aligning its external trade policies with its broader strategy of building domestic capacity and enhancing competitiveness.

China's recent structural reforms aim to transition from an investment and real estate-led development strategy to one that is more consumption-driven even as it shifts to a more technology-oriented economy. This requires addressing imbalances like high domestic savings rates and debt issues facing local governments and strengthening social protection systems.

China's long-term prospects hinge on structural reforms and productivity growth. Enhancing total factor productivity through innovation and technological advancement is a core component of the latest round of structural reforms. Investments in frontier technologies, including AI, green energy and semiconductors, have

⁶⁷ 'Digital economy to contribute 20% of India's GDP by 2026: MoS IT Rajeev Chandrasekhar', *The Economic Times*, 7 December 2023, <https://economictimes.indiatimes.com/tech/technology/digital-economy-to-contribute-over-20-of-indias-gdp-by-2026-union-minister-rajeev-chandrasekhar/articleshow/102799686.cms?from=mdr>.

⁶⁸ 'India to become \$1 tn digital economy by 2028', *The Economic Times*, 2 October 2024, https://economictimes.indiatimes.com/news/economy/indicators/india-to-become-1-tn-digital-economy-by-2028-enabled-by-internet-4g-5g-and-digitalisation/articleshow/113875328.cms?from=mdr#google_vignette.

been highlighted as critical areas for driving long-term competitiveness and economic diversification.

China also faces the risk of global trade disruptions, particularly as the new US administration has put in place increased tariffs on Chinese goods. As it navigates the complex geopolitical climate, China is also exploring alliances with countries like India to keep global trade open. China's BRI is a significant component of its strategy for global integration, focusing on infrastructure investments to enhance connectivity and economic integration across the Global South.

China is making significant progress in its green energy transition, installing approximately 350 gigawatts of new renewable capacity in 2023, which accounts for more than half of the global total. Beijing is on track to surpass its 2030 target this year if it maintains this pace.⁶⁹ This is part of a broader investment in climate change-related projects aimed at boosting productivity and creating jobs, which are central to China's long-term economic strategy. The green transition is seen as crucial for capital formation, enhancing productivity and addressing challenges like an ageing population and a property market crisis. China's focus on green development positions it as a potential global leader, offering a model for other economies.

Both China and India have adopted industrial policies as critical tools to drive economic growth, foster innovation and achieve self-reliance. They are designed to enhance competitiveness, reduce dependency on foreign technology and create robust domestic industries. While their approaches differ, the overarching goals are aligned in promoting sustainable and inclusive development.

China's industrial policy is often associated with 'Made in China 2025', which aims to transition China from a manufacturing hub to a global leader in high-technology industries such as robotics, semiconductors

China's BRI is a significant component of its strategy for global integration, focusing on infrastructure investments to enhance connectivity and economic integration across the Global South.

⁶⁹ Clyde Russell, 'China leads renewables charge in Asia, others need to catch up', *Reuters*, 5 June 2024, <https://www.reuters.com/business/energy/china-leads-renewables-charge-asia-others-need-catch-up-russell-2024-06-04/>.

and green energy technologies.⁷⁰ The concept of ‘dual circulation’ focuses on boosting domestic investment and consumption while simultaneously expanding global trade networks. Another strategic document, ‘China Standards 2035’, seeks to set global standards in emerging technologies, reinforcing China’s position as a global innovation leader.⁷¹

Despite their self-reliance goals, China and India recognise the importance of engaging in global trade networks to enhance economic resilience.

While China’s industrial policies focus on achieving technological self-sufficiency and global leadership, India’s strategies emphasise building foundational capabilities and fostering export-oriented growth. Both nations prioritise investment in R&D digital transformation and green technologies to future-proof their economies. Industrial policies in the two countries aim to create employment opportunities by stimulating growth in manufacturing and services sectors. Despite their self-reliance goals, China and India recognise the importance of engaging in global trade networks to enhance economic resilience.

The industrial policies of China and India have far-reaching implications for the global economy. They are reshaping global value chains as China’s dominance in high-technology manufacturing and India’s growing role in pharmaceuticals and IT services alter traditional supply chain dynamics. Their policies encourage regional diversification, reducing dependency on Western markets. The pursuit of technological self-reliance by both nations has heightened global competition, particularly with the US and Europe, and their strategies may lead to the formation of parallel economic blocs centred on Chinese and Indian influence.

Smaller economies may struggle to compete with the scale and scope of Chinese and Indian industrial policies. However, opportunities for collaboration and integration with these economic giants can also spur regional development. China and India’s industrial policies

⁷⁰ Sally Brooks and Jason Fang, ‘Made in China 2025 ‘hugely successful’ despite US efforts to thwart plan’, *ABC News*, 22 January 2025, <https://www.abc.net.au/news/2025-01-22/made-in-china-2025-a-success-despite-us-tariffs/104816206>.

⁷¹ Yi Wu, ‘China Standards 2035 Strategy: Recent Developments and Implications for Foreign Companies’, *China Briefing*, 26 July 2022, <https://www.china-briefing.com/news/china-standards-2035-strategy-recent-developments-and-their-implications-foreign-companies/>.

underscore their ambitions to shape the global economic order. By leveraging innovation, technology and strategic investments, both nations aim to secure their positions as leaders in the 21st century economy.

India and China in a Multipolar versus Bipolar World Order

The bilateral relationship between China and India, marked by cooperation and competition, remains a critical factor in regional and global stability. The two nations – neighbours with longstanding cultural and economic ties – have experienced shifts in their relationship in recent years due to outstanding border disputes, military standoffs and rising insecurities in a shifting global order.

In the perspective of an evolving multipolar world, China is a central player, profoundly influencing international relations. As the world transitions away from a unipolar structure dominated by the US, debates intensify over whether the emerging order will be bipolar, centred on US-China competition or multipolar, involving multiple influential states.

For China, multipolarity signifies a just international system characterised by the democratisation of international relations and the rejection of hegemonic politics.

China's perception of its role in the world order is pivotal as "[it] believes in an equal and orderly multipolar world and a universally beneficial and inclusive economic globalisation. An equal multipolar world means equal rights, equal opportunities and equal rules for every nation. Certain or a few powers should not monopolise international affairs."⁷² For China, multipolarity signifies a just international system characterised by the democratisation of international relations and the rejection of hegemonic politics. While China has shared this vision, the country's global strategic influence is commensurate with its economic and political clout.

The terms 'multipolarisation' and 'globalisation' are central to this discourse on the shifts in the current world order. Multipolarisation is the diffusion of power among multiple global actors, including state and non-state actors, contrasting with the dominance of a

⁷² 'Wang Yi Elaborates on an Equal and Orderly Multipolar World and a Universally Beneficial and Inclusive Economic Globalization', Ministry of Foreign Affairs of the People's Republic of China, 7 March 2024, https://www.fmprc.gov.cn/eng/xw/zyxw/202405/t20240530_11332813.html.

single superpower. Globalisation entails interconnected economies and the flow of goods, capital and ideas across borders. A multipolar world order is one where power is more evenly distributed, and interdependence fosters mutual benefits. For China, these principles are instrumental in countering the perceived US dominance and fostering a rules-based international order, conducive to its peace and prosperity.⁷³

However, the global shift from unipolarity to multipolarity remains contested. While China has emerged as a leading global proponent of multipolarity, it is also a reluctant competitor in the current shift,⁷⁴ which the US believes is a shift to bipolarity, creating competition on the world stage. On one hand, bipolarity for China evokes memories of the Cold War's rigid divisions and hegemonic blocs, a scenario it seeks to avoid.⁷⁵ On the other, the reality of a power gap between the US and China, alongside the rise of other powers such as India and middle powers like the Association of Southeast Asian Nations (ASEAN) member states, including Singapore, supports the notion of an increasingly multipolar world.

"All three models – great-power conflict, great-power concert and time's entropy – expect concentrated power to diffuse over time. They disagree, however, about the likely consequences of deconcentrated power. The great power conflict model sees it triggering a systemwide war among the great powers. The great-power concert scenario expects the current order to be preserved by means of multilateral bargains and common understandings among the great powers."⁷⁶ The US' perspective further complicates this dynamic by viewing China as its primary competitor.⁷⁷ Washington focuses resources

For China, these principles are instrumental in countering the perceived US dominance and fostering a rules-based international order, conducive to its peace and prosperity.

⁷³ Emanuele Scimia, 'Why China's Gains from Multipolarity Have Yet to Outpace US Dominance', *South China Morning Post*, 10 July 2024, <https://www.scmp.com/opinion/asia-opinion/article/3269716/why-chinas-gains-multipolarity-have-yet-outpace-us-dominance>.

⁷⁴ Emma Ashford and Evan Cooper, 'Yes, the World Is Multipolar', *Foreign Policy*, 5 October 2023, <https://foreignpolicy.com/2023/10/05/usa-china-multipolar-bipolar-unipolar/>.

⁷⁵ Pang Ruizhi, 'China Wants a Multipolar World Order. Can the World Agree?', *ThinkChina*, 27 July 2020, <https://www.thinkchina.sg/politics/china-wants-multipolar-world-order-can-world-agree>.

⁷⁶ Randall Schweller, 'Emerging Powers and Multilateralism in the Twenty-First Century', *Global Governance*, Vol. 17, no. 3 (July-September 2011): 287.

⁷⁷ Chang Jun Yan, 'Commentary: US Security View of China Is Not Black and White', *Channel News Asia*, 23 April 2024, <https://www.channelnewsasia.com/commentary/china-us-tension-choose-sides-security-threat-risk-4269211>.

on containing Beijing through multilateral and bilateral strategic partnerships with other nations, such as the Quadrilateral Security Dialogue (Quad), which may exacerbate insecurity and tension. This strategy strengthens partnerships with nations such as India and creates new opportunities for cooperation and progress in emerging sectors such as critical minerals and emerging technology.⁷⁸ However, the emphasis on great power competition diminishes opportunities for cooperation on critical issues, making the international system more vulnerable to crises.

Policies under both the Trump and Joe Biden administrations have moved away from traditional free trade principles, favouring protectionism and economic decoupling.

The shift towards multipolarity presents both opportunities and challenges for the middle powers. Actors like ASEAN, including Singapore, find themselves in a position to play a more significant role, leveraging their strategic positions to balance between the major powers. Whether it be through facilitating multilateral and bilateral trade for India or acting as a middle ground for diplomatic engagement between India and China, a multipolar world offers more opportunities for other states and institutions to create and maintain norms of the current world order. Interestingly, the US could be considered a revisionist force in the current order.⁷⁹ Policies under both the Trump and Joe Biden administrations have moved away from traditional free trade principles, favouring protectionism and economic decoupling.⁸⁰ This exacerbates the growing fragmentation of the international system with competing blocs, protectionism and a retreat from free trade threatening the rules and norms that govern the current world order. Such shifts disrupt global supply chains and hinder opportunities for cooperation and the broader context of US-China competition complicates India and China's bilateral relationship.

From Washington's perspective, India is a crucial partner in its Indo-Pacific strategy, while China is a target. This alignment draws India

⁷⁸ 'Critical and Emerging Technology', Prime Minister of Australia, 2023, <https://www.pmc.gov.au/resources/quad-leaders-summit-2023/critical-and-emerging-technology>.

⁷⁹ Steve Chan, 'Challenging the Liberal Order: The US Hegemon as a Revisionist Power', *International Affairs*, Vol. 97, no. 5 (September 2021): 1335–1352.

⁸⁰ Jennifer Kavanagh and Mariano-Florentino (Tino) Cuéllar, 'US Engagement in the Indo-Pacific: Don't Trade Away Trade', Carnegie Endowment for International Peace, 25 June 2024, <https://carnegieendowment.org/research/2024/06/us-engagement-in-the-indo-pacific-dont-trade-away-trade?lang=en>.

closer to the US and its allies, increasing tensions with China. Yet, collaborative efforts in areas such as climate change, economic development and multilateral governance could yield significant benefits for both nations and the international community.

Despite their potential for collaboration, India-China relations remain fraught with challenges. Border disputes, economic competition and differing geopolitical alignments often strain their ties. China's BRI, for example, is viewed by India as a means of increasing Chinese influence in South Asia and beyond.⁸¹ On the other hand, initiatives like the BRICS⁸² provide the platforms for dialogue and cooperation, underscoring the importance of discourse and institutions in mitigating tensions. Growth in the developing nations and climate change could also function as an area for India-China cooperation. Both nations have vested interests in addressing developmental challenges, promoting durable infrastructure projects and ensuring the equitable representation of developing countries in global governance. Collaborative efforts in these areas can be the foundation to improve bilateral relations and contribute to a balanced international order.

Both nations have vested interests in addressing developmental challenges, promoting durable infrastructure projects and ensuring the equitable representation of developing countries in global governance.

India's focus on 'strategic autonomy'⁸³ and its desire to maintain independence in foreign policy decisions may offer a pathway to engage with China constructively while balancing its partnerships with the US and other powers. While Beijing's advocacy for a multipolar order aligns with its strategic interests, the realities of great power competition with the US and the fragmentation of the global system create challenges. For India, navigating these dynamics requires balancing its strategic partnerships and maintaining avenues for cooperation with China, like multilateral trade and engagement through institutions like ASEAN.

⁸¹ Darshana M Baruah, 'India's Answer to the Belt and Road: A Road Map for South Asia', Carnegie Endowment for International Peace, 21 August 2018, <https://carnegieendowment.org/research/2018/08/indias-answer-to-the-belt-and-road-a-road-map-for-south-asia?lang=en>.

⁸² James McBride, 'What Is the BRICS Group and Why Is It Expanding?', Council on Foreign Relations, 12 December 2024, <https://www.cfr.org/background/what-brics-group-and-why-it-expanding>.

⁸³ Junaid Kathju, 'India's Non-West, Not Anti-West Approach: How New Delhi Balances Ties Amid Tensions', *South China Morning Post*, 4 November 2024, <https://www.scmp.com/week-asia/politics/article/3285051/indias-non-west-not-anti-west-approach-how-new-delhi-balances-ties-amid-tensions>.

Ultimately, India-China relations are a litmus test for the viability of multipolarity. Collaborative efforts, coupled with a commitment to multilateralism and dialogue, can facilitate a more stable and inclusive international system. With nuanced diplomacy and a shared commitment to addressing global challenges, India-China relations can transcend the rivalries of the great powers.

Tension and Trust

In 1927, India and China played pivotal roles in the inaugural conference of the League Against Imperialism and Colonial Oppression held in Brussels. The landmark gathering united anti-colonial leaders, intellectuals and activists from Asia, Africa and Latin America to challenge imperialist domination and advocate for self-determination.⁸⁴ However, at this moment in time, India-China relations are in a precarious state, with tensions simmering over border issues, security concerns and an asymmetric economic relationship. Despite sharing one of the most complex and consequential bilateral ties in the world, the India-China relationship is riddled with challenges, many of which remain unresolved despite decades of dialogue and cooperation.

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The India-China border dispute, long simmering over competing territorial claims, escalated sharply in 2020 with a violent clash in the Galwan Valley. This confrontation resulted in multiple casualties on both sides,⁸⁵ marking the first incident of fatalities along the Line of Actual Control (LAC) since 1975.⁸⁶ In the aftermath, both nations deployed tens of thousands of additional troops along the disputed LAC, turning the region into a heavily militarised zone. Both significantly increased troop deployments along the LAC, with 50,000 to 60,000 troops stationed on both sides.⁸⁷ The build-up was accompanied by the construction of new infrastructure, including roads and military facilities, intensifying the standoff.⁸⁸

⁸⁴ Michele Louro, Carolien Stolte, Heather Streets-Salter and Sana Tannoury-Karam, *The League Against Imperialism: Lives and Afterlives* (Leiden: Leiden University Press, 2020).

⁸⁵ Sudha Ramachandran, '3 Years After the India-China Face-Off at Galwan Valley', *The Diplomat*, 14 June 2023, <https://thediplomat.com/2023/06/3-years-after-the-india-china-face-off-at-galwan-valley/>.

⁸⁶ Alyssa Ayres, 'The China-India Border Dispute: What to Know', Council on Foreign Relations, 18 June 2020, <https://www.cfr.org/in-brief/china-india-border-dispute-what-know>.

⁸⁷ Shubhajit Roy, 'India and China Have Agreed on Disengagement, Patrolling Arrangements Along LAC: Foreign Secretary Vikram Misri', *The Indian Express*, 21 October 2024, <https://indianexpress.com/article/india/india-china-lac-patrolling-arrangements-foreign-secretary-vikram-misri-9631452/>.

⁸⁸ Andrew Scobell, Sameer P Lalwani, and Daniel Markey, 'How the India-China Border Deal Impacts Their Ties and the U.S.', United States Institute of Peace, 31 October 2024, <https://www.usip.org/publications/2024/10/how-india-china-border-deal-impacts-their-ties-and-us>.

While diplomatic and military talks led to partial disengagements in early 2021, contentious zones like Depsang and Demchok have seen little progress. Periodic face-offs, including a December 2022 clash in Arunachal Pradesh's Tawang region, highlight ongoing tensions. By 2023, at least 18 rounds of Corps Commander-level talks had been held.⁸⁹ However, substantive agreements on broader disengagement and patrolling rights remain elusive.⁹⁰

Despite some disengagements and the establishment of buffer zones, the underlying territorial disagreements remain unresolved, making the border a sore point in bilateral relations.

The dispute has had broader implications for India-China relations. Economically, it has strained ties despite continued trade growth, while, politically, it has driven India to strengthen strategic partnerships with nations like the US. Despite some disengagements and the establishment of buffer zones, the underlying territorial disagreements remain unresolved, making the border a sore point in bilateral relations.⁹¹

A critical aspect of de-escalation would involve reducing the number of troops on both sides. Coordinated patrols and communications about military exercises, as part of trust building measures, and new standard operating procedures for encounters between troops on the ground could help mitigate future clashes.⁹²

Trust, or the lack thereof, remains a significant barrier. At the same time, India and China's security concerns are deeply intertwined. The growing military imbalance between the two nations is undeniable, with China's military spending now around three times greater than that of India.⁹³ The security dilemma exacerbates the already fragile relationship. India, for its part, has deliberately avoided allowing

⁸⁹ '18th Round of India-China Corps Commander Level Meeting', Ministry of External Affairs, Government of India, 24 April 2023, https://www.mea.gov.in/press-releases.htm?dtl/36507/18th_Round_of_IndiaChina_Corps_Commander_Level_Meeting#:~:text=The%2018th%20round%20of%20India,side%20on%203rd%20April%202023.

⁹⁰ Andrew Scobell, Sameer P Lalwani and Daniel Markey, 'How the India-China Border Deal Impacts Their Ties and the U.S.', op. cit.

⁹¹ Ibid.

⁹² Vijay Gokhale, 'Stabilizing the Border: A Possible Way Ahead in the Post-Galwan Situation', Carnegie Endowment for International Peace, 15 December 2023, <https://carnegieendowment.org/research/2023/12/stabilizing-the-border-a-possible-way-ahead-in-the-post-galwan-situation?lang=en¢er=india>.

⁹³ 'India vs China: A Tale of Two Defence Budgets', *The Economic Times*, 8 March 2023, https://economictimes.indiatimes.com/news/defence/india-vs-china-a-tale-of-two-defence-budgets/articleshow/98498491.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst.

the Quad to become a security alliance, and it is not an ally of the US.⁹⁴ Yet, the growing power of China and its increasingly assertive policies demand that India ensures its own security in the face of such imbalances.

The military crises on the India-China border, particularly those in 2013, 2014, 2017 and 2020, have demonstrated that the situation is far from stable. These confrontations underscore the reality that the boundary issue, which has lingered for decades, remains one of the most pressing concerns in the bilateral relationship. Even though both countries have taken steps to reduce tensions on the ground, the underlying dispute has not been fully addressed.

In economic terms as well, China and India face tensions and trust issues. The difference between their economic power is considerable, with China's economy more than four times that the size of India.⁹⁵ Despite India's rapid growth, this gap is unlikely to narrow any time soon. The economic imbalance also affects bilateral trade relations. As mentioned earlier, the large trade imbalance in favour of China is a point of contention as India finds itself reliant on Chinese imports to support its own manufacturing sector. This creates a difficult dynamic. On one hand, India needs Chinese goods and investments to grow its economy; on the other hand, it cannot afford to allow its manufacturing sector to remain indefinitely dependent on Chinese imports.

Despite these economic challenges, India and China must discover ways to collaborate rather than confront each other. India's ambitions, particularly Modi's vision of transforming India into a developed nation by 2047 and expanding its global influence depend on sustaining an economic growth rate of over eight per cent per

These confrontations underscore the reality that the boundary issue, which has lingered for decades, remains one of the most pressing concerns in the bilateral relationship.

⁹⁴ Shashi Tharoor, 'The US and India's Non-Aligned Alliance', *Project Syndicate*, 5 July 2023, <https://www.project-syndicate.org/commentary/us-india-relations-remarkable-transformation-by-shashi-tharoor-2023-07>.

⁹⁵ 'China will add two Indias by the time we reach \$5 trillion economy: Entrepreneur sparks dragon vs elephant debate', *The Economic Times*, 25 March 2025, <https://economictimes.indiatimes.com/news/new-updates/china-will-add-two-indias-by-the-time-we-reach-5-trillion-economy-entrepreneur-sparks-dragon-vs-elephant-debate/articleshow/119460529.cms?from=mdr>.

year.⁹⁶ India must, therefore, navigate not only domestic reforms but also its complex relationship with China.

Both nations must recognise their shared interests, including regional stability and economic growth.

Given that India and China are neighbours, their futures are inexorably linked. Unlike other external powers whose influence in the region may wax and wane, India and China will remain neighbours. As such, it is in both countries' interest to find a way to coexist peacefully. They must find ways of rebuilding trust, especially as they deal with the influence of external powers like the US. Both nations must recognise their shared interests, including regional stability and economic growth.

Both China and India face growing competition and strategic pressures from global shifts, particularly with the changing global dynamics under the second Trump administration. The first Trump administration was marked by a rejection of multilateralism as it withdrew from several key international agreements, such as the Paris Climate Agreement⁹⁷ and the Trans-Pacific Partnership.⁹⁸ Furthermore, the administration's focus on trade protectionism, notably through tariffs on China and other countries, reflected a desire to insulate the US from the global economy.⁹⁹ While the US did not fully embrace isolationism, Trump's presidency significantly distanced the nation from the international community. Trump's second election has already impacted global trade relationships which could create opportunities for collaboration.

"There are many ways to measure 'revisionism' in international relations. Some scholars argue that the hegemon itself can be revisionist if it breaks the rules of its own global order or does not

⁹⁶ Charmaine Jacob, 'India wants to be a developed nation by 2047. Here are 4 critical areas Modi can't ignore', *CNBC*, 20 June 2024, <https://www.cnbc.com/2024/06/20/india-aims-to-be-developed-nation-by-2047-priorities-modi-cant-ignore.html>.

⁹⁷ Matt McGrath, 'Climate Change: US Formally Withdraws from Paris Agreement', *BBC News*, 4 November 2020, <https://www.bbc.com/news/science-environment-54797743>.

⁹⁸ 'The United States Officially Withdraws from the Trans-Pacific Partnership', Press Release, Office of the United States Trade Representative, The Government of the United States, 23 January 2017, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2017/january/US-Withdraws-From-TPP>.

⁹⁹ 'Donald Trump's second term would be a protectionist nightmare', *The Economist*, 31 October 2023, <https://www.economist.com/finance-and-economics/2023/10/31/donald-trumps-second-term-would-be-a-protectionist-nightmare>.

follow prevailing international norms, or both.”¹⁰⁰ In a time when the global order is being reshaped, with the US taking a more isolationist stance and the international system undergoing profound change, India and China have an opportunity to reshape their relationship and contribute to a more stable regional order. By focusing on economic cooperation and reducing security tensions, they can offer a model for how two rising powers can navigate complex relations in the 21st century. Their future, both bilateral and global, depends on their ability to bridge gaps and forge a new path forward.

¹⁰⁰ R L Schweller and X Pu, 'After Unipolarity: China's Vision of International Order in an Era of U.S. Decline', *International Security*, 36(1) (July 2011): 45, https://www.researchgate.net/publication/254925258_After_Unipolarity_China's_Vision_of_International_Order_in_an_Era_of_US_Decline.

Conclusion

China is already one of the two great economic powers and recognised as such; India is on the threshold of occupying centre stage in the global economy. In addition to being neighbours, they are sovereign countries with very different political, economic and social systems navigating multiple diplomatic, strategic and economic challenges. They clearly have immense potential to not just influence the world but also complement each other with their respective comparative advantages.

Both nations have the opportunity to work on global governance issues related to climate change and sustainable development.

Both countries are focused on preserving multipolarity and are advocating for an open and fair global rules-based trading system through multilateral platforms such as the BRICS, the Shanghai Cooperation Organization and the G20. With similar interests in these forums, they can strengthen their influence on global policy, particularly in supporting the interests of the developing countries. Both nations have the opportunity to work on global governance issues related to climate change and sustainable development.

In this regard, both countries can benefit by exploring mutual collaborations in various areas. India can benefit from China's expertise in manufacturing and green technology to enhance its domestic production capabilities. On the other hand, India's investment in AI training for its workforce creates potential for collaboration with China, given the latter's advancement in AI and other frontier technologies. Climate change and clean technology supply chains are distinct areas of cooperation. China's substantial investments in green energy and expertise in scaling infrastructure could aid India in expanding its renewable energy capacity. Both countries can benefit from sharing best practices in policy and regulatory frameworks for sustainability.

The current globally sensitive political and economic climate presents both challenges and opportunities for India and China, offering space for both to assert their strategic autonomy and influence amid rising

geopolitical tensions. By leveraging their complementary strengths –China’s economic power and infrastructure capabilities and India’s diplomatic and coalition-building skills – both nations can effectively navigate global challenges, maintaining their aspirations while contributing to global stability and development.

Moving forward, restoring diplomatic trust, managing security dilemmas and fostering economic growth are critical to ensuring that India and China can coexist peacefully and contribute to a more balanced and prosperous international system.

Singapore’s role as a diplomatic bridge between India and China has been significant by it managing to foster communication and dialogue between the two. The country’s neutral position and strategic location in Southeast Asia have made it an ideal mediator for both countries to engage, particularly through the ASEAN framework.¹⁰¹ Despite these efforts, the overall trajectory of India-China relations remains marked by crisis. While there has been a thaw in recent months, the core issue regarding the unresolved boundary disputes continues to pose significant challenges.

Despite these efforts, the overall trajectory of India-China relations remains marked by crisis.

¹⁰¹ Yu Fu, ‘Singapore’s China-India Balancing Act’, *The Diplomat*, 11 January 2018, <https://thediplomat.com/2018/01/singapores-china-india-balancing-act/>.

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