ASIA'S NEW ECONOMIC POWERHOUSE: INDIA'S RISE AND ITS IMPLICATIONS FOR CHINA'S

Dominance

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ABSTRACT

In the last twenty years, India has gone through a transformation phase of being an economic backwater to being a threat to the long period of supremacy of China in Asia. Basically, the research in this paper seeks to examine the structural processes of India's growth, such as liberal economic reforms, digital innovation, youthful population, and active trade policy and their effects on regional power relations. Using a comparative prism, it explains how the Make in India and Digital India initiatives of India are aimed at destabilising the Chinese domination in manufacturing and technology. The case studies of the manufacturing industry, digital economy and trade flows show that there are both opportunities and strategic frictions that define the India-China relationship. The discussion on the reformulated role of multilateral organisations such as BRICS, WTO, and the Quad in the mediation and cooperation of tensions is also discussed in the paper. It suggests that it will be up to the ability of both India and China to strike a balance between competition and cooperation in the future to become stable. The results show that it will be necessary to balance such a changing economic competition through delicate trade measures and industry-oriented approaches, and communication between countries.

Keywords: India-China ties, economic competition, Make in India, digital economy, trade policy, Asia-Pacific geopolitics.

Introduction

1.1 Background Information

The main focus of Chinese growth has been centred in China, which has catapulted it to the centre of the economic region of Asia. Since the late 1970s and market reforms, the growth in GDP in China has been colossal, on policies of manufacturing and export-led growth and increasing integration of trade in the world, as well as the overwhelming inflows of foreign direct investment (FDI) and rising levels of trade. Although India had almost the same income per capita in 2022 of about 2,388, China had a per capita income of around 12,720, and there was an initial and violent modernisation policy by China (World Economics, 2025).

India has, in the recent past, been a rising economic power. By instituting some radical reforms, including liberalisation measures in 1991, and modern best practices to Make in India and Atmanirbhar Bharat, India has charted the path of high growth. By doing so, India has been experiencing a growing appeal to foreign investors because it highlights the appeal of 74.39 billion in FDI in the 2019-2020 fiscal year (Government of India, 2024). Furthermore, because the majority of the Indian population of 65 per cent and over is below the age of 35 years, India has a very high demographic dividend as compared to the ageing population in China. Integration of technology, like the rapid digitalisation of India, the growth of fintech ecosystems with passions like UPI platforms, are another trend. According to ANI (2024), the digital economy in India may become 20 per cent of the GDP by 2026.

It is in this regard that the previous surging growth narrative of China was pegged on a sound base of market reform, along with manufacturing capacity and that the recent growth narrative of India is pegged on the base of a young and energetic population, coupled with technological instinct and bold policy reforms. They are transforming the economic forces of the territory and undermining the decades of hegemony in Asia by China.

1.2 Statement of the Problem

This also means that the economic dynamism of power between India and China is no less prominent than that one of the regional or global trade. With the economy of the country going through a recession, it is witnessing a change in the balance of influence in Asia. It comes with opportunities and also threats. India needs to capitalise on its growth potential at the expense of building agonising geopolitical tensions, and China needs to learn how to coexist with a region it can no longer have a monopoly in. A person should be aware of the nature of this competition and the sequence of actions that each country might be pursuing to be able to predict the future of trade, investment trends, and geopolitical orientation in Asia.

1.3 Objectives of the Study

The study is meant to analyse the key variables that continue to drive the development of the Indian economy and its relation to the object of China of regional success. Geopolitically and in trade, it would like to describe the effect that would arise out of the Indian developmental path, which would be much wider in scope. The research will also focus on the future of the Indian-Chinese partnership or conflict as a multi-level and bilateral as well as regional association. Finally, the paper targets to illustrate the impact the emerging India-China dynamic would have on the economic order in the Asian region and the world market.

Literature Review

2.1 Theoretical Framework

Multi-theoretical approach, realism, liberalism and constructivism are needed to understand the complexity of the relationship between India and China.

Out of the various alternatives available to render the Indian perspective on India-China relations, realism stands out as one of the most direct. Using such a realist theory, it can be said that the international system is *anarchic and states seek to maximise survival by trying to secure the maximum amount of power (Waltz, 1979). China sees India's rise in this context as a potential threat to its regional hegemony, and the accompanying strategic competition is occurring in all segments of the economic, military and diplomatic spheres. Therefore, India's proactive involvement in the kind of alliances that are present, such as the Quad (i.e. Japan, Australia and the United States), can essentially be treated as a realist countermeasure to decrease China's expanding influence, particularly inside the Indo-Pacific (Bhuiyan & Wang, 2023). Realist competition manifests itself in border tensions, like Galwan Valley, where the zero-sum belief means the only winner and the only loser and hence non-negotiable interests like territorial integrity and strategic dominance are not relegated.*

In contrast, liberalism proposes that economic interdependence and multilateral institutions would reduce conflict and promote cooperation between the two Asian Giants. Even with high political and military tensions, China and India have a large amount of trade between their countries, where China is India's second-largest trading partner (Siddiqi, 2012). Mutual economic benefits, say liberal theorists, render a strong incentive for both countries not to go to war, at least using outright conflict. Avenues to dialogue and cooperation exist in multilateral platforms such as BRICS, the Shanghai Cooperation Organisation (SCO) and the World Trade Organisation (WTO) despite the underlying strategic rivalries (Madan, 2023). From a liberal perspective, economic and institutional environments lead India and China to continue at least some form of working relationship to maintain regional stability and well-being.

In enriching the study of the history of India-China relations, constructivism introduces the role of historical, cultural and ideological factors in defining the relations. However, constructivist scholars argue that state behaviour is not just determined by material interests but also by identities and historical narrations to greater or lesser degrees (Wendt, 1999). Such as the legacy of the 1962 Sino-Indian War continues to affect national *perceptions and mutual distrust (Radchenko, 2014). Moreover, different levels of political ideologies play roles in their international postures—for instance, given that their country is a democracy, India perceives China as a country with adversarial intentions, whereas without political ideologies, China in turn, views India in the same way. "Brotherhood in as 'Hindi Chini Bhai Bhai" (1950s) and its collapse demonstrate how changes in identity and memory about the past can reshape bilateral relations.*

The study of India-China relations under realism, liberalism and constructivism is a more holistic approach to understanding the India-China relationship, which competes, collaborates and collides with one another in contemporary times.

2.2 Historical Context

Indian and Chinese history and the course of their economies offer valuable information on the competition between the two in Asia. Following the independence of the country of India in 1947 and the formation of the Republic of China in 1949, the People Republic of China, these two nations followed different paths due to the political ideologies and historical background.

These are two of the oldest and surviving civilisations of India and China. Until the eighteenth century, they were both mythical places of such great wealth and wisdom within the circles of Europeans. Between the mid-eighteenth century and the start of the nineteenth century, it was in this period that both of these nations, in the eyes of the Europeans, became far behind, primitive and weak nations. By 1820, they were over half a billion combined, and by 1900, they had 700 million. Their population had grown threefold in the twentieth century. But they were two of the poorest nations. The Indian and Chinese have undergone varied historical, political and socioeconomic factors influencing their post-colonial economic progress. After World War II, both nations went in different directions, which were shaped by the experience with colonialism, socialist views, and economic planning (Tseng and Cowen, 2005).

Following its independence in 1947, India adhered to a mixed model of nationalist and socialist policies in the early years, with protectionism and a closed-borders attitude dominating its approach to foreign relations and the global economy (Mousavi & Asadi, 2021). On the other hand, before the initiation of economic reforms, China maintained policies that kept the economy very poor, stagnant, centrally controlled, vastly inefficient, and relatively isolated from the global economy (Morrison, n.d.).

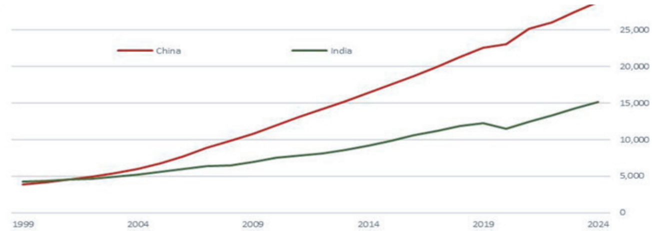
The first decade of "new China" under the Chinese Communist Party was an era of initial growth and development. Following the Chinese Communist Party (CCP) setting up the People's Republic of China (PRC), it embarked on a period of large-scale and long-term economic construction (Think China, 2024). Furthermore, during Mao's period, the Chinese economy was at a time of hardship and extremely unstable. Mao founded a centralized economic system, and everything was focused on the growth of the agriculture sector that was the backbone of the Chinese economy - agrarian in those times (Butt & Sajid, 2018) until market reforms in China started in the late 1970s under Deng Xiaoping, transforming the nation towards a more market economy These reforms included opening up to foreign investment, state enterprises' privatization, and more competition. Accordingly, China's GDP saw spectacular growth, elevating millions from poverty and making it a global economic giant. A market economy significantly raises its GDP and foreign investment, enabling it to be a global economic giant (Fiveable, 2025). At the same time, between 1989 and 1991, economic adjustment closed the gap between demand and supply in the country; the volume of exports grew exponentially while that of imports collapsed.

Consequently, a favourable balance of foreign trade appeared persistently, and the foreign exchange reserve of China grew at a high rate. During the two decades since the reform and opening up to the world, China's economy experienced a fundamental transformation from a planned one to a market one. The economic power of the nation was reinforced persistently (Embassy of the

People's Republic of China in Nepal, 2004). Additionally, the 1980s and 1990s were turning points in both countries (SociologyInstitute, 2023).

There was not much variation in the sizes of the economies of both nations during the 1980s; in the 1980s, India's per capita income was higher than that of China. In the year 1980, the per capita income of India was $582, i.e., almost 2 times the Chinese per capita GDP of $307 (Tyagi, 2024). In addition, by the early 1990s, India was already experiencing a string of economic problems, and in 1991, India was going through an economic crisis. In an effort to manage the crisis, the Indian government, led by then Finance Minister Dr Manmohan Singh and Prime Minister P.V. Narasimha Rao, initiated a string of economic reforms that would subsequently be known as the 1991 economic reforms. These reforms were meant to liberalise, privatise, and internationalise the Indian economy. The objective was to open up the economy, promote foreign investment, and decrease the intervention of the government in economic activities (SociologyInstitute, 2023). However, in 1990, India's per-person income was $367, and China's was $317. China was slightly behind India when both nations went into the phase that we call liberalisation. The World Bank's data shows that India's per capita income in 1960 was $82, while China's was $89. In 1970, India was at $112 and China at $113. In 1980, India was $266, and China was considerably behind at $194. In 2000, India was $1,357, and China was $4,450. In 2022, India was at $2,388 and China was at $12,720 (Tyagi, 2024). According to the World Economics report, China and India had similar levels of GDP per capita until 2001, but since then, China's GDP per Capita has grown much faster than India. China's GDP per capita is now roughly twice India's. China's real GDP per capita has increased by 651% in the last 25 years to over $29K, while India's has increased by 252% to only $14K (Figure 1) (World Economics, 2025).

Figure 1: China's and India's GDP per Capita Growth (1999-2024)



Source: World Economics, 2025

Secondly, the two nations historically tried to preserve a peace-friendly demeanour represented by the phrase "Hindi-Chini Bhai Bhai" (Radchenko, 2014), but the Sino-Indian Border War of 1962 brought decades of suspicion and tense economic relations between China and India (Madhuri, 2024). But in spite of the conflict, there was collaboration, and the two nations signed protocols for economic cooperation in 1984, giving each other the most favoured nation (MFN) status for trade. Ever since, India has emerged as China's 20th largest trading partner and its biggest trading partner in the South Asian region since 1994 (Singh, 2000).

Also, India-China relations during the 21st century would indicate the way in which economic interdependence is promoting and will promote the growth of friendly, good neighbourly relations between the two nations with mutual benefit and trust as its foundation. That was reflected in the phrase 'Chindia' originally used by India's politician Jairam Ramesh to refer to the rising economic power of India and China. From this perspective, 'China is the 'world factory', having superiority in manufacturing, agriculture and special zones development. And India, being the 'world office', has strengths in information technology, software in general, pharmaceuticals and the service sector. China is, however, India's biggest trade partner; the reverse is not true with China, which has greater trade with the US, South Korea and Japan compared to India (Siddiqi, 2012).

The rise of multilateral organisations reflects both countries' attempts to increase their regional standing.

Further, multilateral and multilateral institutions such as the United Nations, BRICS, Shanghai Cooperation Organisation, and the Quad have also become theatres of rivalry between India and China (Madan, 2023). especially with respect to border conflicts and China's Belt and Road Initiative, which India remains suspicious of. Nevertheless, the Indo-Pacific strategy is proposed as the answer to counter BRI and Chinese influence regionally and globally. The United States of America, Japan, and India adopted a "common enemy" policy for China (Bhuiyan & Wang, 2023).

2.3 Current Studies and Findings

Recent studies on India's economic policy demonstrate a tremendous paradigm shift, its fast industrialisation and policy changes towards self-reliance and modernisation (Reddy, 2025).

On the 25th of September, 2014, the "Make in India" "Atmanirbhar Bharat" program was initiated,which aimed to make India a world leader in design and manufacturing. One of the first 'Vocal for Local' drives is aimed not only to increase India's manufacturing base but also to bring its industrial might to the international stage (Government of India, 2024). Besides, India has been a desirable site for international investors (Sharma, 2024) because the defenders assert that India has become one of the world's leading destinations for FDI due to the program. For instance, in 2019–2020, India attracted $74.39 billion of foreign direct investment (FDI) compared to $45.15 billion in 2014–2015. Critics rebuke that although the manufacturing industry was the focus of the campaign, much of this investment ended up targeting services such as e-commerce and telecommunications. Additionally, some industries continued to face legislative hurdles that dissuaded foreign investment, especially those demanding labour-intensive activities and immense land acquisition (Singh, Singh, & Patel, 2024). Studies bring out the importance of digital platforms in increasing productivity and fostering entrepreneurship, especially by small and medium enterprises (SMEs). In addition, one of the largest internet-based user networks is emerging in India. The *figure multiplies across the board, ranging from online buying to electronic payments. A study conducted by the Internet and Mobile Association of India indicates that there are approximately 759 million active Internet users in India (Pandey et al., 2024).Additionally, the growth of the digital economy of India has been remarkable. It is estimated that India's digital transformation is driving its financial ecosystem towards a USD 1 trillion digital economy by 2028. Government initiatives and technological advancements, like UPI and 5G, are enhancing financial inclusion and boosting digital services in sectors like health, education, and e-commerce. Moreover, the digital economy, which accounted for 4.5 per cent of India's GDP in 2014, is expected to contribute 20 per cent of the GDP by 2026 (ANI, 2024).*

However, India's Make in India initiative is a direct response to China's growing industrial and technological dominance (Asmatwali, 2014). In response to India's rising economic stature, China has adopted various strategies to maintain its influence in the region. For instance, the Chinese government launched "Made in China 2025" in 2015 (the government's ten-year plan), a state-led industrial policy that seeks to make China dominant in global high-tech manufacturing. China aims to achieve 70 per cent self-sufficiency in high-tech industries, and by 2049—the hundredth anniversary of the People's Republic of China—it seeks a dominant position in global markets. (McBride & Chatzky, 2019). Furthermore, recent studies indicate that Indian manufacturing sectors heavily dependent on Chinese machinery face setbacks. India's manufacturing sector is facing significant challenges, particularly industries reliant on Chinese imports, such as electronics, solar panels, and electric vehicles (EVs). Chinese authorities have nearly stopped exporting critical equipment essential for production, reportedly to hinder the growth of global companies like Foxconn, BYD, and Lenovo in India, according to a report by The Economic Times (Mukherjee, 2025).

Moreover, in response to China, India has adopted a 'China Plus One' strategy, encouraging companies to *diversify their production bases (Sinha, 2025). World Bank President Ajay Banga has recommended that India capitalise on this strategy, which has already attracted foreign investment (Mukherjee, 2025).*

China has sought to bolster its strategic alliances in South Asia, China has expanded trade relations with South Asia, with a significant increase in Chinese exports to the region and it has sought to bolster its strategic alliances in South Asia (Jain,2018). China's extensive investments in infrastructure across South Asia through BRI projects, including ports, highways, and railways, are seen as transformative, providing capital and resources that have made it a preferred partner for many countries in the region. India has pursued alternative projects, such as the Asia-Africa Growth Corridor (AAGC) and Chabahar Port in Iran, to ensure connectivity and strengthen its regional influence (Asmatwali, 2014).

Moreover, the China-Pakistan Economic Corridor (CPEC) is a prime example of this strategy, involving substantial investments in infrastructure and energy projects that enhance China's foothold in the region. While India perceives the CPEC as infringing upon its sovereignty and raising strategic vulnerabilities, which has led to apprehensive responses and counterstrategies, including strengthening ties with other South Asian countries and the United States (Qais et al., 2023). Compared to the case in China of the BRI. The India-Pacific Economic Corridor (IPEC) is even considered a platform of cooperation between India and the United States. Indians believe that it can help India to keep the United States in the lead and China at bay and can help India through projects such as BCIM as soon as the Indian government makes it a reality (Ali & Bibi, 2022).

2.4 Gaps in the Literature

A lot of effort is being made on India and the regional hegemony of China, but there are gaps in the literature. Surprisingly, there are not many resources that conduct a wholesome research on the long-term prospects of India becoming dominant in the sphere of China's regional leverage in the sphere of trade, security, and diplomacy

(Madan, 2023). At the moment, a large portion of the literature it fills is about the short-term evolution of economic indicators, and lacks a comprehensive examination of how Indian development would transform Asian power politics over the next decades. In addition, sector-based research has not been done on such vital concerns as technology, manufacturing and energy. The economic research of the Indian economy takes the Indian economy as a unit without considering and investigating the connection of Indian digital infrastructure, economic science, and high-tech manufacturing to the robustness of the traditions in China (Reddy, 2025). Among the competitive forces of these two countries, industry-specific analyses will be needed more to measure themfairly. In order to fill these gaps, we should develop a more realistic picture of the efficient India-China economic and geopolitical rivalry.

Findings

3.1 Case Study 1: India's Manufacturing Sector

The Make in India campaign and other similar policies have led to a significant change in India's manufacturing sector over the last decade. Make in India was launched on September 25, 2014, with the motive to turn India into a global design and manufacturing hub by promoting domestic manufacturing and FDI (Foreign Direct Investment) (Government of India, 2024). The initiative was focused on 25 sectors, including automobiles, textiles, electronics, and renewable energy, and efforts were undertaken to increase India's participation in global manufacturing as well as generate millions of jobs.

Indians, manufacturing-wise, have already come far since their beginning. From $45.15 billion in 2014–2015 to $74.39 billion in 2019–2020, the FDI inflows increased remarkably (Sharma, 2024). The initial investment was drawn mainly to the services sector, but with policy reform such as allowing 100 per cent FDI in some important sectors (by altering land acquisition, giving goods and services tax and others), the investor interest has been revived in manufacturing industries like *electronics, defence and automotive (Singh, Singh, & Patel, 2024).*

Unlike China, China's manufacturing dominance was decades old: Economic reforms, inaugurated by Deng Xiaoping in the late 1970s. In the country that became the 'world's factory', there was cheap labour, state-supported infrastructure and a strong export orientation (Morrison, n.d.). The programs include those such as Made in China 2025, launched in 2015, which aimed to gradually relocate China's manufacturing from the low end of production to the high-tech industries, including robotics, aerospace, and electric vehicles (McBride & Chatzky, 2019).

There are indeed distinct differences when India's current efforts are compared to China's past trajectory. Second, while China pursued a highly centralised, state-led industrialisation model under the auspices of State Capitalism, India's Make in India is based on greater liberalisation, public-private partnerships and the lure of global corporations through market incentives. Nevertheless, India's manufacturing share of GDP is only around 17% compared with China's high of nearly 30% in its high growth period (World Bank, 2025).

Replication of China's success has been a demand in India's manufacturing sector. Yet, infrastructure bottlenecks, regulatory barriers, and labour market rigidities continue to slow down the process of rapid industrialisation (Reddy, 2025). Further, India's dependence on Chinese imports of machinery and critical components in electronics and solar sectors negates India's goal of self-reliance. The latest report said that Chinese restrictions on exports are delaying Indian efforts to localise manufacturing, particularly in the area of smartphones and electric vehicles (Mukherjee, 2025).

However, India has been, if anything, proactive in its strategic response to these challenges. To boost domestic production and decrease reliance on Chinese imports, this government has brought Production Linked Incentive (PLI) schemes in electronics, pharmaceutical and semiconductors sectors. All these incentives are expected to attract big investment, and India is becoming more integrated into global supply chains (Governmen of

India, 2024).

Global supply chains are becoming more and more realised of experiencing a larger effect. It is this backdrop that Multinational corporations have resorted to the China Plus One approach of diversifying production bases outside of China under various reasons, such as higher costs and political unrest, especially that of the U.S.-China trade war, and India has become a point of great interest (Sinha, 2025). Apple, Samsung and Foxconn are currently stepping up their operations in India as a way of significantly contributing towards the production of electronic products across the world.

In addition to this, it complies with regional and global tendencies towards the expanding involvement of India in the global supply chain. The COVID-19 crisis underlined the frailty of overdependence on the supply chains in China,which triggered additional efforts in the countries that constructed longer, stronger, and more varied supply chains. It is reinforced by measures such as the Supply Chain Resilience Initiative (SCRI) between Japan and India or even Australia,which puts more focus on India in the global manufacturing landscape (Bhuiyan and Wang, 2023).

However, structural issues like lack of skills, logistical and environmental sustainability inefficiencies have to be addressed holistically before India can enjoy the maximum of the opportunities. Reddy (2025) further claims that the demographic dividend in India should be matched with upskilling of the new force, whereby advanced manufacturing industries would be empowered by the new labour force.

Finally, Make in India is reviving India's dreams in the manufacturing industry, but there are many obstacles to cross before it can put India on a challenging platform compared to China. To a large extent, the success of India will be anchored on a prolonged reform application, infrastructure modernisation and formation of strategic alliances with other states. India is also planning to become a player in the transformed world of manufacturing despite the fact that its implementation is highly unlikely as intensive as that of China.

3.2 Case Study 2: Technology and the Digital Econo-

India has evolved to become a formidable digital economy to take the country to the pinnacle of the information technology service and digital innovation scene in the world within the last 20 years. The digital revolution is also driving the economy of the country, as it has a huge and young population and a high uptake of smartphones and the internet. The active internet user base of approximately 759 million in India in 2024 made the country one of the largest online markets across the world (Pandey et al., 2024). In line, as Digital India efforts continue to grow, as well as the worldwide rise in the fintech sector, e-commerce and startup environments, India has come to symbolise the digital economy of the world.

India's tech market had not been as wide and varied as it is now, historically dominated, if not by TCS, Infosys and Wipro, then at least by other large ICT players. In addition to being the home of 110 unicorns in 2024, the country hosts startups in the fintech (Paytm), edtech (BYJU'S) and healthtech and logistics (Logistics startups) space, according to Reddy (2025). With the proliferation of mobile payments, digital wallets and the Unified Payment Interface (UPI) type of real-time online transaction systems, India has increased financial inclusion with the projection that India's digital economy will come to be around 20 per cent of Gross Domestic Product (GDP) in 2026 (ANI, 2024).

However, China's tech giants include global leaders in our digital economy: Alibaba, Tencent, Huawei, and ByteDance. Mainly due to a massive domestic market, the support of homegrown tech firms by the state, and aggressive investments in AI, 5G and e-commerce platforms, China has turned into a technological superpower. Alibaba and Tencent lead in e-commerce and social media, respectively, while Huawei dominates the development of telecom infrastructure on the global stage (McBride & Chatzky, 2019).

While there is most certainly promise in India's tech growth trajectory, differences still exist. Early state-driven strategies such as 'Made in China 2025' and *robust R&D funding, along with protected domestic markets, have helped China's technology sector thrive. In contrast to India, India's approach has been more market-led, with relatively less direct government intervention, focusing on liberalisation, digital infrastructure creation, and facilitating startups. Other than holding key roles, India's government programs, such as Startup India, Digital India, and Make in India, have not dominated the landscape.*

Alongside this emergence of India as a tech powerhouse, the geopolitical conflicts between the two countries, indirectly between the US and China, and, by implication, China and its technological development, have increased in the digital space. It was confirmed that the poor relation worsened when a Galwan Valley conflict erupted in 2020, following which India blocked more than 250 Chinese applications like TikTok, WeChat and PUBG Mobile on the basis of data privacy, security, and national sovereignty concerns (Madhuri, 2024). This is a bold action, which is a part of the increased Indian awareness that technology has high strategic considerations, and a willingness to decouple digitally with China.

The blockage of the app was a pivotal moment, altering the technological trends in India. The prohibition of the Chinese apps created room to develop by the Indian startups and Western tech firms. Among the examples, there is the case of such platforms as ShareChat, Chingari, and Moj that rapidly gained popularity as the Made in India alternatives to TikTok (Reddy, 2025). Meanwhile, India has also implemented foreign direct investment (FDI) regulations that mean that any investments made by bordering countries, including China, must first be approved by the government before they can be made, since it will give the Chinese corporations the chance to acquire Indian businesses during the pandemic (Sharma, 2024).

India's strategy for digital self-reliance is an effort to shield its vitally important digital infrastructure from foreign manipulation. These initiatives, such as the development of indigenous 5G networks, domestic semiconductor manufacturing and data localisation *laws, are a way of reducing the security risks of over-dependency on external technologies(Mukherjee, 2025).*

However, India's rapid digital rise has several challenges that pose risks to progress. Despite that, India lags behind China in terms of investment in emerging technologies such as AI, quantum computing, and high-end manufacture of semiconductor chips (World Bank, 2025). Investments of Chinese firms into major Indian tech startups like Paytm and Zomato, however, continue to remain a significant, indirect presence in the Indian tech ecosystem through third countries (Mukherjee, 2025).

India has its tech ambition on the world stage, supported by strategic alignments with other like-minded countries. Some of the essential areas of cooperation between India and the United States, Japan, and Australia in the context of the Indo-Pacific Economic Framework (IPEF) and Quad Technology initiatives include collaboration in critical and emerging technologies (Bhuiyan and Wang, 2023). The partnership is a retaliatory strike against the Digital Silk Road programmes by China in the Belt and Road Initiative (BRI) as an allusion to the emerging convergence between technology, economics and politics.

In conclusion, India is experiencing an immense evolutionary stage. The digital economy in India has been anchored on its competent home innovation, a determined startup environment and reflected complementaryopportunities supported by policy-level actions. Nevertheless, it is still faced by long-term obstacles due to the fact that China is rooted in hardware production, AI, and telecommunications, to name a few. The online rise of India will also play a crucial role in shaping the lines of India-China rivalry in the 21st century as India grows more technology-diversified and more profound in its global alliances in the field of technology.

3.3 Case Study 3: Trade and Investment Flows

India and China have been standing partners in various fields, and bilateral trade has been one of the most important dimensions of mutual relations. On one hand, they have been growing interdependence and on the other hand, strategic competition. China has always been considered one of India's largest trading partners in recent years. Bilateral trade between the two countries touched $136 billion in 2022, wherein India's imports from China were around $101 billion, thus producing a hefty trade deficit (World Bank, 2025). The import of its major items is electronics, machinery, organic chemicals and pharmaceuticals, and dependence on Chinese manufacturing continues.

The relationship is strained, though there are robust trade figures. There has been a persistent dispute along the border, and the violence of the clash in the Galwan Valley in 2020 has worsened political mistrust and is prompting calls by some in India for economic decoupling from China (Madhuri, 2024). Following these tensions, India became stricter with Chinese investments, banning numerous Chinese apps nowadays and increasing domestic manufacturing to decrease dependence on Chinese imports. It became the meeting ground of security and trade policy, a moving platitude as initial trade barriers like increased tariffs, non-tariff measures, and extended customs time were tools of economic statecraft.

Other key trade disputes have also been seen in areas including telecommunications and infrastructure. The decision to bar Chinese firms such as Huawei and ZTE from India's 5G rollout based on security issues was a major step away from the trade policy followed by trade and aligning it with wider geopolitical considerations (Mukherjee, 2025). In this regard, India's push for the development of Indigenous industries through measures like 'Make in India' and 'Atmanirbhar Bharat' (Self-reliant India) is working to reposition itself from trade dependencies to maintaining greater economic sovereignty (Government of India, 2024).

In response to the strategic challenges posed by China, India has reached out and strengthened its economic and security partnerships, particularly through the QUAD Security Dialogue (QUAD) and also deepened India's relations with the Association of Southeast Asian Nations (ASEAN). As a strategic counterbalance to China's growing influence in the Indo-Pacific realm, India, the United States, Japan, and Australia are part of the QUAD. The QUAD was initially proclaimed as a primary security dialogue but expanded into a focus on economic collaboration, leveraging critical and emerging technologies, enhanced supply chain resilience, and development of infrastructure (Bhuiyan & Wang, 2023).

The ability of India to simultaneously cooperate with and align itself with the QUAD flows from India's broader efforts to diversify its trade and investment partnerships. Key pillars of the QUAD Vaccine Partnership, semiconductor supply chain initiatives, and critical minerals initiatives led to building alternatives to Chinese domination in areas of key sectors (Madan, 2023). It also shows that India wants to join new multilateral economic structures free of China, if not forced to compete for new ones, to reduce its susceptibility to economic coercion.

The last role India's trade and investment diversification plays is with its relations with ASEAN, as its relations with ASEAN are also important in India's trade and investment diversification efforts. India's fourth-largest trading partner with other ASEAN member states is represented by ASEAN, with a total trade of over $110 billion in 2022. The engagement with ASEAN began with the operation of the India-ASEAN Free Trade Agreement (AIFTA) in 2010, which has helped boost trade in goods and services. India has tried to deepen connection, trade and investment ties with Southeast Asian countries too through initiatives like the Act East Policy, but they are themselves wary of too much Chinese economic and political influence over them (Siddiqi, 2012).

India's decision to drop out of the China-backed Regional Comprehensive Economic Partnership (RCEP) is notable since it is a sign of the cautious approach used by the country. India was worried about the trade deficit *with China that would acquire and worsen if markets further without good safeguards (Morrison, n.d.). Instead, India has negotiated bilateral and mini-lateral trade agreements with the countries of ASEAN, Japan, Australia and the European Union to expand volatile and diversified economic connections.*

India does not lack problems that it has to solve to offset the influence of China in terms of trade and investment in the country. China continues to have its unmatched economic magnitude, and it has deep supply chain control and is actively investing in its Belt and Road Initiative (BRI) throughout the region. Nevertheless, in the case of India, this is not so when it comes to their strategy of selective decoupling, partnership building and domestic capacity enhancement, which is a practical way of thought to conceptualise the complex realities of economic globalisation.

Therefore, despite a long-standing solid trade relationship between India and China, the rising strategic mistrust has caused an actual change in the economic relationship between the two nations. In developing trade and investment relations diversification in terms of QUAD and ASEAN partnerships, India demonstrates its greater commitment to liberating itself from the present economic dependence and increasing economic independence and dominant position of the nation as a major player in the emerging Indo-Pacific order.

3.4 Intervening and Mediation on the International Scene

Through international organisations and regional forums, India and China have also been able to control and reduce tensions between the two countries. The legal systems and arbitration divisions via organisations such as the World Trade Organisation (WTO) have created an organised platform for solving trade disputes. Both India and China are members of the WTO; they have taken advantage of its mechanism to address the issue of tariffs, market access and intellectual property rights. On the other hand, there are also very politicised forms of direct trade friction, but the WTO is a system of rules that is an *unbiased platform to promote adherence to international standards and reduce the likelihood of unilateral escalations (Morrison, n.d.).*

Between formal trade institutions, the multilateral groupings such as BRICS (Brazil, Russia, India, China and South Africa) have stood as vital spaces for India–China dialogue and cooperation, even at a time when bilateral disputes have not been in the way. Economic cooperation, sustainable development and reform of global governance are the focus of BRICS. On the one hand, these summits and working groups allow both nations to seek diplomatic engagement, which is focused on the anti-Western financial and political systems they share (Madan, 2023).

Managing India-China tensions has also been provided by regional forums, such as the Shanghai Cooperation Organisation (SCO). Although both India and SCO are new members, a platform became available for both countries to work together on regional security, such as counter-terrorism and transnational crime and add media channels outside the common bilateral format (Bhuiyan & Wang, 2023).

However, the friction between states in these multilateral institutions continues, which nonetheless provides crucial debate, crisis management or the use of diplomacy. They serve as stabilisers by spreading economic interdependence and encouraging multilateralism, thus preventing strategic rivalry from turning into an open conflict.

3.5 Comparative Analysis

Some of the similarities between India and China's competing economic relationships are revealed through the economic competition between the two countries. Economic growth is central to achieving both strategic goals in both nations, so policies emphasise manufacturing growth, technological self-reliance and a worldwide trade influence. Therefore, initiatives like China's Made in China 2025, which promotes homegrown capabilities, as well as India's Make in India initiative, intended to diminish domestic reliance on foreign markets (McBride & Chatzky, 2019) indicate that *they have a strong interest in developing their home-built rather than purchasable capabilities.*

The other notable similarity is that both of them are based on state-led and subsidised market-based processes to achieve economic objectives. China has been more state-centric in its approach to intervention, with a high level of government participation, and India is more of a market liberalisation with policy incentives (Reddy, 2025). Meanwhile, the convergence of economics and geopolitics is occurring, and the two nations also tend to prioritise domestic security more than the economic factors in the same industry, digital technology and semiconductors.

Competition is maintained together with cooperation, especially in multilateral frameworks such as BRICS, SCO, and WTO. India and China can find common ground on such issues as global financial reform, climate change, and sustainable development (Madan, 2023). Although there are border tensions and strategic rivalries, both countries see the importance of economic engagement and regional stability.

Therefore, the economic relationship between India and China can best be described as 'competitive coexistence' (simultaneous collaboration and rivalry). The duality between China and India was unquestionably present in Asia's economic and geopolitical landscape and is likely to continue for the foreseeable future.

Conclusion

4.1 Summary of Key Findings

As Asia's economic development accelerates, India increasingly becomes a player in reshaping the power dynamics of Asia and poses a substantial challenge to China's long-standing regional dominance. Structural economic reforms like the 1991 liberalisation, initiatives such as Make in India and Digital India, and the demographic advantage of a youthful workforce are key drivers behind India's growth. The country's technological advancements, booming ecosystem of startups, and growing manufacturing base have made India a leading economic player (Government of India, *2024).*

Nevertheless, this China remains a country with a remarkable list of advantages when compared to any United States that may wish to enter or reenter the regions since the dawn of industrialisation, technological innovation, and infrastructure development. The reason is that it is hard to break down the stranglehold of China in the manufacturing sector, high-end technologies, and supply chains spread across the globe. As the Indian level of trade activities has been increasing and India has led with digital innovations, bottlenecks in the infrastructure, the existence of regulatory bottlenecks and vulnerabilities to Chinese imports remain to be persistent. Thus, the rivalry is subtle, India is striking back, yet not caught up with the financial weight of the overall India.

4.2 Future Trade Policy Implications

However, both India and China must adopt realistic patterns of trade in future to be able to withstand the competition without collapsing into a disastrous war. In the case of India, further diversification of the trade partners with ASEAN and the QUAD, and initiatives like the Indo-Pacific Economic Framework, are still the required steps to be made. The reinforcement of domestic manufacturing capabilities, innovation encouragement, and dependence on Chinese imports decrease of key sectors should be the priority (Bhuiyan and Wang, 2023).

Nevertheless, a single misstep would swing the pendulum towards China: China would do well to embrace the growing significance of India in the regional supply chains because it can gain out of a partial cooperation, such as in green technologies, regional infrastructure development and multilateral trade arrangements. In the same vein, the two countries must be actively involved in the dispute settlement mechanisms, whether WTO or BRICS, unless trade and investment problems are escalated to larger strategic form hostilities (Madan, 2023).

However, a prudent tapping of trade and diplomatic policy is the ultimate way of ensuring that both nations *are able to deal with the competition, complement and encourage stability in the region.*

4.3 Recommendations for Future Research

The economic growth of India in different areas, namely the semiconductors, artificial intelligence and renewable energy, should be incorporated in future research. The other method would be to conduct comparative research on the post-COVID-19 realignment of the supply chain from the Indian and Chinese perspectives. It can also be interesting to further explore how and why the role of third-party actors (mainly the US, Japan, and Australia) in mediating or intensifying India-China economic rivalry is played (Bhuiyan and Wang, 2023).

This kind of research would give a far finer idea of the way the India-China economic rivalry would develop in the next few decades, to policymakers and scholars.

4.4 Final Thoughts

The future economic order between Asia will involve the India-China dynamic. China will definitely continue to be a leading power in the shaping of the global economy, but the rise of India is a counter attractiveness to restore the multipolarity in the region. Their association is split through the competitive co-existence, economic interdependence and strategic competition, and this will determine not only the future of Asia but also the world of trade, security and technologies.

This is not an easy task to navigate despite careful diplomacy, flexible trade policies and a joint determination to ensure stability in the region. The India-China association will be a pivotal dog-whip of the tremendous scale of the world economy and politics that will characterise the 21st century.

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