China-India ties remain resilient despite challenges

MAIN STREET

By Zhang Muchun

China-India economic and trade cooperation saw fresh progress in 2025, with several Chinese enterprises reaching cooperation agreements with Indian partners, injecting new momentum into the two countries' evolving economic and financial ties.

In recent months, LONGi Green Energy Technology (Hong Kong), a Chinese solar technology company, reached a cooperation agreement with Indian solar manufacturer Inox Solar on the localization of 5 gigawatts of photovoltaic technology.

Another major cooperation came from CALB Group, a Chinese lithium battery producer, which signed a 20-year strategic partnership with Ashok Leyland, India's second-largest commercial vehicles manufacturer.

In the infrastructure sector, China Railway Engineering Group also inked a strategic cooperation agreement with Indian mining company Ashapura Minechem. Meanwhile, China Eastern Airlines resumed its Shanghai-Delhi route, further strengthening connectivity between the two countries.

Amid a slowing global economy and rising unilateralism and protectionism, China-India economic and trade cooperation has evolved beyond the bilateral level to become an important factor shaping the stability of Asian industrial chains and the broader landscape of global economic governance.

As the world's two most populous developing countries and leading voices of the Global South, China and India together account for 20 percent of the world's economic output. The sound development of bilateral economic and trade ties not only provides strong momentum for both countries to advance modernization, but also serves as a crucial pillar supporting coordinated development among the Global South.

India is currently undergoing rapid industrialization, while China has built strong advantages in high-end manufacturing and technological innovation. Such stage-specific complementarity provides a natural impetus for deepening bilateral economic and trade cooperation, a trend reflected in China-India trade reaching $138.478 billion in 2024, with China remaining India's largest trading partner and India becoming China's largest trading partner in South Asia.

Yet the bilateral economic relationship is not without challenges. With global value chains undergoing restructuring, how effectively China's manufacturing strengths can be aligned with India's market potential will play a decisive role in shaping Asia's influence in the global economic system.

A major obstacle to China-India trade lies in the structural imbalance of bilateral flows. India posted a $64 billion trade deficit with China from April to October 2025, according to data released by China's Ministry of Commerce. The gap highlights sharp differences in value-chain positioning: China mainly supplies technology-intensive goods, while India's exports, dominated by iron ore and cotton, have high value-added products accounting for less than 15 percent.

Moreover, China-India investment cooperation has remained lackluster. India's tough market-access rules and frequent compliance reviews have dented Chinese investors' confidence, contributing to a 24.6 percent drop in China's direct investment value in India in 2024.

Political factors have added further strain. India's bans, for instance, on Chinese apps, sector-specific investment limits, and restricted cross-border mobility have raised operating costs, delaying some Chinese-funded projects by more than six months.

Furthermore, China-India economic and trade cooperation needs to stay alert to the cumulative impact of several potential risks. These include market-substitution risks, supply-chain restructuring risks, and the increasing entrenchment of India's institutional barriers to foreign investment.

Third-party interference is another factor that requires attention. The United States used the Indo-Pacific Economic Framework to draw India into supply-chain arrangements that exclude China, which could leave China-India economic ties vulnerable to disruptions driven by geopolitical competition.

Despite these challenges and constraints, the resilience of China-India economic and trade cooperation remains evident. India's exports to China have shown a steady recovery, rising for seven consecutive months from April to October 2025. In October alone, exports jumped 42 percent year-on-year, bringing total shipments during the period to $10.03 billion. China has also consistently remained India's fourth-largest export destination. The upward trend underscores the strong industrial complementarity between the two economies and reflects the natural momentum of their deepening economic ties.

Meanwhile, Chinese demand for India's pharmaceutical intermediates and high-quality agricultural products has stayed robust. Between January and October 2025, India shipped 265,000 metric tons of rice to China, more than 4.4 times the volume for the whole of 2024. China, for its part, continues to play a pivotal role in supporting India's electronics manufacturing sector. More than 60 percent of India's imports of electronic components — including printed circuit boards — originate from China.

Additionally, cooperation in the digital economy and green energy has emerged as a new growth engine for China-India economic ties.

Software enterprises in Bengaluru have begun technical collaborations with Chinese cloud-computing service providers, while bilateral trade in areas such as photovoltaic modules and battery materials for new-energy vehicles surpassed $10 billion in 2024, underscoring the substantial potential for further cooperation.

Addressing the challenges in China-India economic and trade relations calls for an integrated approach that brings together government leadership, market-driven dynamics and effective institutional safeguards.

First and foremost, a stronger strategic direction at the top level is essential. Building on the China-India Joint Economic Group, the two sides could establish a fast-track mechanism for managing trade frictions. To help ease India's trade deficit, China may step up imports of competitive Indian products such as pharmaceuticals and textiles.

Second, the two countries should work to upgrade cooperation. In the digital sphere, both sides could work toward a shared framework for cross-border data security, while in green energy, joint research and development in photovoltaic technologies would deepen collaboration. Such measures would help shift the relationship beyond basic goods trade toward a more substantive technological partnership.

Third, institutional barriers to investment need to be eased. India may explore establishing "China-India cooperation demonstration zones" in industrial corridors such as Gujarat, accompanied by policies that lower compliance costs for Chinese enterprises.

Finally, the two sides are expected to explore broader opportunities in third-country markets. By combining China's strengths in engineering and construction with India's capabilities in software and IT services, the two countries could jointly participate in infrastructure projects in Africa and generate synergies that are greater than the sum of their parts.

Against the backdrop of once-in-a-century changes unfolding at an accelerating pace, China and India can advance their economic ties only by moving beyond zero-sum thinking and strengthening institutional cooperation to offset geopolitical risks. Such efforts would place their trade relationship on a more sustainable footing, deliver broader benefits to both peoples, and inject greater certainty and positive momentum into the global economy.

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