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The future of China-India relations: Key drivers and scenarios

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Summary

- China and India are the two most populous countries in the world and among its largest economies. As defining forces in international politics, the trajectory of their relations will shape the future of international affairs. This report examines three key drivers of China-India relations, charts four future scenarios for how these relations may develop, and discusses the implications of each scenario for Europe.
- The report identifies three key drivers of China-India relations: the border dispute between the two countries, trade and investment between them, and the role played by the United States (US). The border dispute represents the baseline of bilateral relations. Trade and investment have led to India having a significant economic dependency on China. Meanwhile, the US plays a major role in how the two countries navigate their positions on the international stage and their relations with each other.
- Using a scenario matrix, the report describes four possible future scenarios based on two of these drivers, the border dispute and US-China rivalry, where these drivers can also be seen to represent two critical uncertainties in the relationship. The scenarios allow the examination of how these drivers and uncertainties could play out and shape the future of China-India relations.
- The four future scenarios are as follows: Scenario 1, titled Strategic Convergence, involves a deepening of cooperation between China and India across political and economic domains; Scenario 2, titled Managed Tension, sees gradually improving relations in line with the present situation; Scenario 3, named Proxy Flashpoint, involves a military confrontation between China and India which then becomes a proxy for the broader rivalry between China and the US; Scenario 4, titled Contained Confrontation, sees a border clash similar to the one that occurred in 2020 but without further escalation.
- The report offers a short-term forecast for the coming five years, based on current trends. It deems the scenario of Managed Tension to be most likely, followed by that of Contained Confrontation. The report considers both the Strategic Convergence and Proxy Flashpoint scenarios to be equally unlikely. The most important uncertainty which could affect this forecast is the volatile behaviour shown by the US since the start of the second Donald Trump presidency. Behaviour by the US has the potential to rapidly alter the trajectory of China-India relations.
- The report argues that the future scenarios involving improved relations between China and India could bring benefits to the EU. These benefits might include a more stable investment environment for European firms. However, the deeper economic integration associated with the scenario of Managed Tension, or the geopolitical alignment entailed by the scenario of Strategic Convergence, could undermine European de-risking efforts towards China. The latter scenario, in particular, could also potentially challenge European interests and influence in international institutions and global governance.
- The report also suggests that the scenarios involving a border clash or prolonged conflict between China and India, especially the Proxy Flashpoint scenario, could undermine regional stability and disrupt global trade and supply chains. At the same time, were these scenarios to occur, they could create new opportunities for Europe and India to cooperate on issues of mutual interest. These areas of mutual interest include the development of alternative critical raw material supply chains. They also include the shared desire to address Chinese overcapacity and use of export controls, as well as to respond to other aspects of China's economic statecraft, which neither Europe nor India have been able to effectively address on their own.

Introduction

The People's Republic of China (PRC) and the Republic of India represent two of the defining forces of 21st-century international politics. India is the world's fifth-largest economy by nominal Gross Domestic Product (GDP) and there are signs that it will become the fourth-largest economy in 2026.¹ China remains the world's second-largest economy.² Together, China and India account for 36 percent of the global population, being the world's first and second most populous countries.³ The economic and demographic weight of both China and India means that the future development of relations between them will significantly impact the current international order. The potential for China-India relations to affect the current order is perhaps best captured in the idea of an "Asian Century". Since the late 1980s, Chinese and Indian leaders have expressed this idea. It has come to encapsulate the notion that if China and India engage in cooperation, the 21st century will be defined by a rising Asia that is channelled through their joint ascendancy.⁴ In 2014 for instance, Chinese President Xi Jinping (习近平) stated that "[a]s long as China and India work together, the Asian century [...] will surely arrive at an early date."⁵ Similarly, in 2022 India's External Affairs Minister Subrahmanyam Jaishankar observed that "[i]t is said that the prerequisite for an Asian Century is India and China coming together."⁶

Contemporary relations between China and India are multifaceted. They encompass a wide range of different issues including participation in multilateral forums such as BRICS and the Shanghai Cooperation Organisation (SCO), extensive trade relations, and discussions about shared water resources in the Himalayan region. Yet relations between the two countries have remained structurally strained since India granted asylum to the Dalai Lama in 1959. This was a decision that entrenched mutual distrust and contributed to escalating tensions which then peaked with the Sino-Indian War of 1962.

The first part of this report outlines the three most important drivers shaping China-India relations. The first is the border dispute, which has been a recurring site of direct conflict between the two countries and sets the baseline for bilateral relations. The second is relations of trade and investment between the two countries, which are defined by India's considerable dependence on Chinese imports and China's status as one of India's largest trading partners. The third is the role of the United States (US), which is a crucial factor in the strategic calculi of both China and India in the context of their broader international affairs.

In its second section, the report presents a scenario matrix with four possible future scenarios for China-India relations. These scenarios are based on different outcomes of two critical uncertainties derived from these drivers. The four scenarios range between escalating conflict and deepened cooperation. The report assesses the likelihood of each scenario occurring in a five-year future time horizon. It also examines the implications that each of these future developments in China-India relations would have for Europe.

The border dispute

The border dispute serves as both a baseline and a barometer for bilateral relations: escalations negatively impact all aspects of the political relationship, while improved border relations are connected with periods of stability in relations. China and India share the world's longest disputed border, with even its length being contested. Beijing claims that the disputed border stretches 2,000 km, while New Delhi has stated on various occasions

that it measures 3,488 or 4,057 km.⁷ When the Republic of India gained independence from the British Empire, and when the People's Republic of China claimed its territories from the Republic of China (and by extension the Qing Empire), they inherited fuzzy borders with no mutually agreed demarcation. At the heart of the China-India border dispute is what is commonly referred to as the "Tibet question". After the collapse of the Qing Empire in 1911, the Republic of China claimed sovereignty over Tibet, which in turn declared its independence. Britain, which then administered India as part of its empire, held that Tibet was autonomous under Chinese suzerainty but was *de facto* independent. After the founding of the PRC in 1949, negotiations were held between Lhasa and Beijing. These negotiations failed and in 1950–1951 China's People's Liberation Army (PLA) brought about the forced incorporation of Tibet.⁸

The Tibet question remains a source of tension in China-India relations. This is not least because Tibet's government-in-exile has been located in India since 1959, when the 14th Dalai Lama fled from Tibet. Given the advanced age of the 14th Dalai Lama, who turned 91 in 2026, events surrounding his succession could potentially have an effect on China-India relations in the coming years. Beijing is expected to appoint its own successor through the institutionalized reincarnation system controlled by the Chinese Communist Party. However, the Tibetan Government-in-Exile may recognize a different successor.⁹ How India responds to these developments, and whether it tacitly accepts, rejects, or takes a more ambiguous position towards each of these competing claims, will have direct implications for bilateral relations.

Figure 1. The disputed border areas between China and India.



The disputed border between China and India is generally divided into three sectors: the western, middle, and eastern sectors. The western and eastern sectors are the most contested parts of the border. According to Beijing, areas of land around the disputed border in the middle and eastern sector fall within the Tibet Autonomous Region and should therefore be considered part of China. Beijing also claims that a portion of land around the disputed border in the western sector lies within Xinjiang and should be considered Chinese. Beijing bases its claim to the disputed area of land around the eastern sector of the border on the argument that this area was historically part of Tibet. It refers to this area as “South Tibet”. In contrast, India recognises the same area as Arunachal Pradesh.¹⁰ China currently controls the disputed territory in the west, while India occupies that in the east. The boundary between the actual positions held by both sides, which diverges from their official claims, is referred to as the Line of Actual Control (LAC).

In these disputed border areas, there have been several clashes between China and India, some of which have involved fatalities. The most severe was the 1962 war which led to the suspension of ambassadorial relations until 1976. High-level meetings only resumed in 1988 when China's paramount leader Deng Xiaoping (邓小平) met with the Indian Prime Minister Rajiv Gandhi in Beijing.¹¹ In 2017, Chinese and Indian military personnel engaged in a tense stand-off on the Doklam plateau, with the confrontation lasting for 73 days. This was followed by a deadly clash in the western sector in 2020, resulting in the deaths of at least twenty Indian soldiers as well as four Chinese soldiers.¹² As a result, political relations were frozen until the autumn of 2024. That year, China and India took steps toward rapprochement, reaching new patrol arrangements in key disputed areas in the west.¹³ However, there has not yet been a full normalisation of relations and a return to the pre-2020/2017 levels of engagement.

There are no immediate signs that border relations are deteriorating again. However, both China and India have accelerated infrastructure development and expanded their military presence along the border since 2020.¹⁴ As military build-ups generally increase the risk of militarised interstate disputes, future brinkmanship could quickly escalate into open conflict.¹⁵ This buildup creates the conditions for confrontation and raises the likelihood of escalation. Such escalation may not necessarily be intentional but could result from miscalculation or miscommunication. Once hostilities begin, nationalist public opinion, which is present to some degree in both countries, could further complicate efforts to de-escalate and reach a peaceful resolution. While provocative incidents can escalate into crises, they do not typically lead to accidental wars. There are few historical examples of such incidents leading to an accidental war, and wars are almost always authorised by decision-makers.¹⁶

The most frequently proposed solution to the China-India boundary dispute involves a territorial swap.¹⁷ With this solution, India would retain the eastern sector, while China would keep the western sector it currently occupies. Reports describe how China has proposed such a swap deal twice in the past. However, India has rejected the proposal both times. Both China and India have previously settled border disputes with other neighbours through territorial swaps. China and Nepal resolved a border dispute in 1961 through a territorial exchange. India and Bangladesh swapped enclaves in 2015.¹⁸ According to Indian security expert Manoj Joshi, Beijing has strategic reasons for not resolving its border dispute with India. He argues that Beijing uses the dispute to keep India preoccupied within the region and to constrain India's ability to project power globally.¹⁹

Trade and investment

Bilateral trade between China and India is characterised by India's significant trade deficit with China. Chinese exports to India increased sharply in the early 2000s. China had emerged as a manufacturing powerhouse, while India's rapid economic growth generated rising demand for imported machinery and intermediate goods. By 2008, China had become India's largest trading partner. Chinese imports have been made more competitive by the low-interest financing offered by the Export-Import Bank of China, a state-owned lending facility. Indian exports to China continue to be dominated by raw materials and semi-processed goods, including metals, minerals and chemicals.²⁰

Since 2012, India's trade deficit with China has steadily increased (except for a dip in 2020 due to the COVID-19 pandemic). In 2025, India's exports to China were estimated to be around USD 17.5 billion, while imports from China were around USD 123.5 billion, pushing India's trade deficit with China to a record USD 106 billion. Nearly 80 percent of India's imports from China are in electronics, machinery, organic chemicals and plastics. Many of these goods are difficult to substitute, making it hard to reduce the large bilateral trade deficit despite the Indian government's efforts to diversify supply chains.²¹ To reduce imports from China and promote Indian manufacturing, the Indian government has implemented higher tariffs on electronic items such as phone components, televisions, and microwaves.²²

Two key reasons for India's large trade deficit with China are China's higher productivity, especially in manufacturing, and its greater integration into global supply chains. The presence of non-tariff barriers on the Chinese side further constrains Indian companies seeking to break into the Chinese market. India has pressed China to open its domestic market to Indian exports in agriculture, pharmaceuticals and IT, and some Indian firms have made inroads. Yet competing with Chinese counterparts remains difficult. Indian companies have not enjoyed the same success in China as elsewhere. This is despite China being one of the world's largest markets for both generic pharmaceuticals and IT services, sectors in which many Indian companies operate.²³

India is China's largest trading partner in South Asia. However, it is not the largest recipient of Chinese foreign direct investment (FDI).²⁴ While the economies of Pakistan and Sri Lanka are far smaller than that of India, both have received more Chinese FDI.²⁵ This is primarily because India has chosen not to join the Belt and Road Initiative (BRI), China's global infrastructure development framework. India's main objection to the BRI concerns the China-Pakistan Economic Corridor (CPEC), which is a 3,000km network of roads, railways and pipelines, widely regarded as one of the Initiative's flagship projects.²⁶ New Delhi argues that CPEC violates its sovereignty by crossing Kashmir, a region disputed by India and Pakistan. It has also raised concerns about the debt sustainability and transparency of BRI projects.²⁷ While India has shunned the BRI due to geopolitical concerns, it continues to cooperate with China on trade and development financing through institutions and platforms such as the Asian Infrastructure Investment Bank (AIIB) and BRICS.

The China-Pakistan relationship is another factor shaping the trajectory of China-India relations. China and Pakistan are not formal allies bound by a mutual defence treaty. However, they maintain a close strategic partnership that involves extensive military cooperation. In the event of a China-India conflict, Pakistan could assist China by exerting pressure from a second front, forcing India to divide and divert resources.

While the heightened border tensions between China and India have significantly strained the broader bilateral relationship, so-far trade relations have appeared to be largely insulated. Bilateral trade fell in the first half of 2020, but this is unlikely to have been caused by the deadly clash which occurred on the China-India border in June. Instead, the reduced trade was more likely to be due to COVID-19 restrictions, particularly since trade rose in July 2020 and throughout the rest of the year when restrictions were eased.²⁸ The flare-up of the border dispute therefore probably did not affect trade, despite a strong public campaign in India to boycott Chinese goods following the deadly clash.²⁹

At the time of the border clash, the Indian government imposed curbs on Chinese investment, which it only began to lift partially in early 2026.³⁰ It also banned more than 50 Chinese apps on national security grounds.³¹ Analysts in India have expressed concern about economic dependence on China, particularly regarding critical components and equipment. While increased Chinese FDI could boost India's growth and strengthen ties with China, it could also heighten its economic vulnerability.³²

The role of the United States

The US has long been an important factor in the foreign policies of both China and India. However, the direct influence of the US on China-India relations has increased since the 2010s. This is largely due to shifting dynamics, both in relations between China and the US, as well as in relations between India and the US. Relations between India and the US became strained after India's 1998 nuclear tests and the sanctions that followed. India-US relations then improved markedly in the 2000s with defence agreements and arms sales. These warming ties culminated in the Indian Prime Minister Narendra Modi's famous 2016 declaration that India-US relations had "overcome the hesitations of history".³³

This growing alignment has had direct implications for China-India relations. During the 2020 border conflict, the US provided India with intelligence and defence equipment. India's membership in the Quad (a partnership between the US, Japan, Australia and India) has also affected China-India relations. Quad membership has further deepened India's strategic ties with the US. But Beijing views the Quad as a containment measure.³⁴ Since Donald Trump began his second term as President of the US in January 2025, India-US relations have faced new challenges. These include US tariffs, a strengthening of Pakistan-US ties, and Trump's controversial claim to have brokered a ceasefire following the India-Pakistan military confrontation in May 2025.³⁵

India has viewed China as a major security threat since the 1962 war. In contrast, China has only recently begun to view India as a serious security challenge.³⁶ This shift is mainly attributable to the intensification of China-US rivalry that occurred during the first Trump administration, partly due to its Indo-Pacific strategy.³⁷ China has increasingly regarded the US as hostile, while there has also been a deepening of India-US cooperation. This has meant that China's perception of India has changed in two important ways. First, India is no longer seen as a marginal actor but as a major player in Indo-Pacific security. This is because Beijing believes Washington is using India as a strategic counterweight. Second, rather than viewing it as acting alone, Beijing now considers India to be acting alongside partners to

challenge China.³⁸ For China, the Quad represents the sharpest illustration of both. While most Chinese experts believe the Quad is unlikely to become a military alliance, there is a broad consensus that the US is trying to turn it into just that: an “Asian NATO”.³⁹

New Delhi partly views its relationship with China as *sui generis*, or a standalone issue. In contrast, Beijing perceives its strategic position vis-à-vis India primarily through the lens of its rivalry with the US. Both the 2017 standoff on the India-China border, and the 2020 border clash, have accelerated the deepening of India's relations with the US.⁴⁰ How India's closer alignment with the US will shape its relations with China going forward remains difficult to predict. China, for its part, does not want India to move closer to the US. It also sees India as the weakest link in the Quad. This means that China sees maintaining stable relations with New Delhi as a way to help discourage further Indian alignment with Washington.⁴¹ The picture is further complicated by what some Chinese scholars see as a return of US-India rivalry.⁴²

China-India relations have shown some improvement since the 2020 low. Whether Beijing will actively work to consolidate these gains is another question that is currently unclear. With the unpredictability of the second Trump administration, Beijing may calculate that China will become more attractive to countries like India by default. It could therefore conclude that China-India relations will gradually improve without the need for Beijing to make significant concessions of its own.⁴³

Four future scenarios for China-India relations

The previous sections of this report identified and discussed three key drivers that shape China-India relations: The first driver is the border dispute, which underpins the broader bilateral relationship; The second driver is trade and investment relations, which have led to India having a structural dependency on Chinese imports; The third driver is the role of the US, which continues to serve as the primary prism through which Beijing frames its relationship with New Delhi. Based on these three drivers, there appear to be two critical uncertainties that, depending on how they play out, will produce different future scenarios. These two uncertainties serve as the x and y axes of the scenario matrix. The uncertainties were chosen because they are high-impact, mutually independent, strategically meaningful, and capable of generating divergent scenarios. The first critical uncertainty concerns how the border dispute will develop. It asks: what would happen if the border dispute were to escalate, given the general volatility of border management and the ongoing militarisation of the LAC? The second uncertainty concerns how the role of the US will develop. It asks: what would happen if US-China rivalry intensified, drawing China-India relations into a broader strategic contest between Washington and Beijing? Based on these two uncertainties, a 2x2 matrix can be formed. Different configurations of developments in the two uncertainties produce four distinct future scenarios (see Figure 1). In the section of the report that follows, the description of each scenario also includes a short-term, five-year forecast assessing its likelihood based on current trends.

Figure 2. Four future scenarios for China-India relations.



The border dispute and China-US rivalry form the two axes of critical uncertainty. This produces four possible future scenarios ranging from escalating conflict to full cooperation. The four future scenarios have been given the following names: *Strategic Convergence*, *Managed Tension*, *Proxy Flashpoint*, and *Contained Confrontation*. Each scenario is treated as a storyline of dynamic developments unfolding over time. The scenarios explore how these drivers and uncertainties may shape future China-India relations.

Scenario 1: Strategic Convergence

The first future scenario would see a deepening of China-India cooperation across political and economic domains. Such cooperation could develop into what is sometimes referred to as “Chindia,” which is a portmanteau that was coined in the early 2000s to highlight the parallel rise and combined strength of the two countries. “Chindia” aligns with the idea of the Asian Century and reflects the shared identity that China and India have. It captures

the way that both countries are developing nations and share a scepticism toward the US-dominated world order, both advocating multipolarity and a stronger voice for developing countries on the global stage. At its most ambitious, the relationship between China and India in this scenario would resemble the partnership currently shared by China and Russia: extensive economic ties, geopolitical alignment, and military cooperation, but still falling short of a formal alliance.

How could this come about?

This scenario could be triggered by a period of bonhomie between China and India. Seeking to boost their economic growth and political standing, both countries would make a concerted effort to improve bilateral relations. India, aiming to strengthen its economy and attain great power status, would turn to China to increase trade and enhance its political clout. Likewise, China could come to increasingly view India as a crucial supplier of raw materials and a promising investment destination. This convergence of interests would then lead both countries to intensify efforts to resolve their longstanding border dispute, culminating in a comprehensive bilateral treaty modelled on the pragmatic agreements through which China and Russia settled their border disputes in the 1990s and early 2000s.⁴⁴ With this treaty, China would gain control of the Western sector, and India would have control of the Eastern sector.

While the border dispute would then be resolved, the question of the 14th Dalai Lama's succession would potentially remain and become an increasing concern as he ages. India might then decide to adopt a stance of strategic ambiguity, signalling that it will not let the issue disrupt the emerging strategic partnership by attempting to depoliticize the issue and reframing it as a religious rather than geopolitical question. With these obstacles to deeper cooperation removed, bilateral relations would then enter a new era, potentially paving the way for Chindia.

What would be the consequences for China and India?

Bilateral relations: The bonhomie seen under this scenario would be characterised by an increase in high-level meetings and strengthened security cooperation across Asia through joint military exercises. Ideological narratives would play an important role in cementing ties, as encapsulated by slogans such as “Hindi-Chini bhai-bhai,” which expressed a sense of brotherhood at the height of relations in the 1950s. Such narratives would also draw on a shared historical and cultural heritage, including a common Buddhist civilisational history and collaboration during the Second World War. Visa-free travel between the two countries would further deepen people-to-people exchanges.

Trade and investment: The improved relations seen in this scenario would open the door to deeper economic cooperation and both countries would experience a surge in bilateral trade and investment. For China, lower Indian tariffs could boost Chinese exports to India. At the same time, if there were fewer restrictions on Chinese investment in infrastructure and raw materials, this would allow China to deepen its economic presence in India, including BRI investments. For India, the improved relations seen in this scenario could provide greater market access for Indian companies in China. This would potentially help to narrow the trade deficit that India has with China. Under the improved relations of this scenario, Chinese and Indian companies could also collaborate more closely in joint ventures. This would facilitate the transfer of industrial know-how and drive innovation in key sectors.

International relations: In this scenario, where China assumes the role of one of India's primary strategic partners, India would have less incentive to pursue stronger ties with the US, the EU, and its Quad partners. More broadly, greater convergence between China and India could foster deeper alignment on the international stage, including more effective decision-making within BRICS and the SCO. Improved China-India ties could also lead to greater institutionalisation of the Russia-India-China (RIC) initiative. This initiative is a trilateral interaction between these countries which was first proposed in the late 1990s, and which convened regularly during the 2000s and 2010s, but which has been dormant for a number of years.⁴⁵ The realisation of Chindia could provide the momentum to fully realise an Asian Century.

Implications for Europe

This scenario could bring political, economic and security-related challenges for Europe. The EU regards China as a “systemic rival” in several areas and pursues a long-term policy of de-risking vis-à-vis Beijing.⁴⁶ Deeper economic integration between China and India could undermine European efforts to reduce critical dependencies on China. These are efforts for which the EU has sought to partner with India, including by looking to India as an alternative link in its supply chains for critical raw materials.⁴⁷ Improved China-India ties could also affect regional politics and global governance in ways that affect Europe. On the one hand, if improved relations lead to increased regional stability and, by extension, a more effective and cohesive BRICS and SCO then this could benefit Europe. On the other hand, such a development could also potentially strengthen the collective influence of emerging powers in global governance in ways that challenge European interests and influence.⁴⁸

At the same time, under this scenario, India would be unlikely to become China's junior partner to the same extent as Russia has in recent years. This is unlikely for two reasons. First, India has a strong desire for strategic autonomy, rooted partly in its postcolonial legacy. Second, New Delhi is unlikely to suffer the same degree of international isolation that Moscow has because of its war against Ukraine. Under this scenario, India would also be unlikely to be pressured into supporting China in ways contrary to its interests. It is likely, for example, that India would be more vocal than Russia has been in supporting freedom of navigation in the South China Sea, a principle that both Europe and India seek to uphold.

Forecast

Resolving the border dispute is a necessary condition for a significant improvement in relations between China and India to occur. However, several challenges stand in the way of such resolution. Chief among them is the deep-seated mistrust between the two countries, rooted in the history of their border conflict. Unlike China and Russia, which had not experienced recent border clashes when they began resolving their territorial disputes in the 1990s, China and India had their most recent clash in 2020. Domestic politics in both countries further complicates matters. This means that any concessions that either side makes on the border disputes risks triggering a nationalist backlash. China may also currently benefit from keeping the dispute unresolved. It can use these border tensions as a way to keep India bogged down by the dispute, thereby constraining India's position regionally and internationally. Other factors that currently hamper the prospects of warming China-India relations are India's dissatisfaction with the structural imbalances in the economic relationship and its dislike of the close China-Pakistan partnership.

At the same time, there are economic and political factors that could help to motivate a border settlement. Economically, the mutual need for development could incentivise both sides to put their differences aside. Politically, China and India share an interest in challenging the US-led world order, reducing the dominance in this order of the US and its allies, and advocating for a multipolar international order, even if they are not fully aligned on all issues.⁴⁹ Both China and India also support de-dollarisation, promote alternative financial systems, and oppose unilateral sanctions.⁵⁰ In addition, they both present themselves as representatives of the Global South, calling for a more equitable global governance system that gives developing countries a greater voice. While in theory these shared interests could foster deeper cooperation, growing rivalry between China and India is likely to make convergence difficult. This rivalry is rooted in their pursuit of status and identity as great powers, with both countries competing for leadership over the Global South and promoting competing civilizational narratives. Therefore, despite their shared interests, and even with the measures taken since 2024 to improve the situation at the border, a comprehensive partnership remains highly unlikely in the short term.

Scenario 2: Managed Tension

The second future scenario would see ongoing tensions alongside a functional relationship that supports political stability and economic cooperation. This would involve the two countries having strengthened trust mechanisms to ease border tensions, but not fully resolving the dispute. It would see them expanding trade and investment, as well as political dialogue. However, both countries would maintain a high degree of distance from each other. The aftereffects of the 2020 border clash would continue to colour their bilateral relations, and they would display an enduring desire for strategic autonomy. In this scenario, there would be continued US support for India which would further deter China from engaging more deeply with New Delhi.

How could this come about?

For such a scenario to occur, it would require China and India to continue to gradually rebuild trust and re-establish the relationship they had before the 2017 standoff and 2020 border clash. While the border dispute would remain unresolved, it would have to be carefully managed, with both sides adhering to the 2024 border patrol agreement and avoiding major incidents. Additional trust-building measures would be put in place over time. In this scenario, as relations between the two countries stabilised, economic ties between them would continue to grow, albeit at a significantly lower rate than in the Strategic Convergence scenario. Trade and investment would gradually increase, but India would continue to diversify its trade relations. India would also carry on raising its concerns about the bilateral trade imbalance, restrictive Chinese policies, and insufficient market access for its companies in China. Indian businesses operating in China would experience only modest improvements in this regard. India's continued partnership with the US, and China's close relations with Pakistan, would continue to undermine trust and constrain how far this rapprochement can go.

What would be the consequences for China and India?

Bilateral relations: Under this scenario, relations between China and India would remain strained but be gradually improving. The relations between the two countries would be marked by occasional high-level visits and some alignment on mutually beneficial issues. Both

countries would continue to prioritise strategic autonomy, seeking stable and manageable relations rather than closer alignment. This desire for strategic autonomy would then be reflected in India's continued balancing act between its partnership with the US and its functional relationship with China. Citizens of both countries would likely continue to face occasional visa difficulties when travelling to each other's countries. Geopolitical rivalry would most likely intensify as India's great power ambitions rose. The scenario would see both countries continuing to compete over global norm-setting, civilizational narratives, and leadership of the Global South.

Trade and investment: A more stable relationship would foster increased trade and investment in both directions. However, as this scenario represents a continuation of the status quo, it would not fundamentally transform China-India economic relations and India would continue to run a substantial trade deficit. Ongoing tensions would persist, with both countries viewing each other with suspicion and mistrust. This would lead to the continued imposition of tariffs and other economic barriers. These factors would continue to limit the scope of economic cooperation.

International relations: Under this scenario, as India and China stabilised their relationship, India would simultaneously pursue closer ties with the US, the EU, and other partners. The growing cooperation between India, the US, and other Quad members, such as Japan, would remain a source of concern for Beijing. A defining feature of this scenario would therefore be India's continued balancing act between Washington and Beijing. The scenario would see New Delhi leveraging the rivalry between the two powers to preserve its strategic autonomy. In this scenario, because China and India would be able to maintain broader cooperation, the RIC initiative could be modestly strengthened, although its scope would remain limited.

Implications for Europe

Under this scenario, both India and Europe would still have a long-term interest in economically de-risking from China by diversifying trade and supply chains. This would create opportunities for strategic cooperation between them. The Joint EU-India Comprehensive Strategic Agenda, adopted at the 16th EU-India Summit in New Delhi in January 2026, has already stated that the two sides have an aim of fostering cooperation in a wide range of areas, including in trade and supply chain resilience⁵¹. These efforts, together with initiatives such as the EU-India Trade and Technology Council⁵² and the recently concluded negotiations on the EU-India Free Trade Agreement⁵³, could lay the groundwork for future developments under the scenario. If this scenario were to occur, India and the EU might potentially seek to address shared concerns related to Chinese economic statecraft that neither side has been able to address effectively on its own. These concerns include Chinese industrial overcapacity and export controls on critical raw materials and related technologies.

Forecast

During the 1990s and 2000s, the general trend was for improving China-India relations. This came to an end in the late 2010s with the 2017 standoff and the 2020 clash, which coincided with a shift towards greater assertiveness in Chinese foreign policy. While China employs rotational deployments to maintain a sustained presence in the Himalayas, as it does in its deterrence operations around Taiwan and in its coast guard patrols in the South China Sea, the Himalayas are unlikely to become the primary focus among these contested areas in the near future.⁵⁴

Several ongoing developments could mean that this scenario, with ongoing tensions but a functional relationship, is less likely to occur. The military buildup along the border increases the risk that skirmishes will escalate into broader conflict. Rising nationalist sentiments in both countries might hinder diplomatic efforts, as concessions risk being perceived as weakness. Geopolitical rivalry between the two, which is expected to intensify as India's great power ambitions grow, will likely escalate tensions over time. A substantial increase in India's trade deficit with China could further strain political relations and impede the gradual stabilisation of bilateral ties. US unpredictability may also fundamentally reshape strategic calculations on both sides. However, even taking these circumstances into account, this is the most likely scenario to occur in the short-term, being largely a continuation of the current trajectory.

Scenario 3: Proxy Flashpoint

The third possible future scenario would see the Himalayas becoming part of a new Great Game. The notion of a "great game" is a term that was historically used to refer to the nineteenth and early twentieth century competition between empires for influence and control across Inner Asia.⁵⁵ Under this scenario, with a context of intense US-China rivalry, there would be a prolonged military confrontation between China and India. This confrontation would become a proxy flashpoint for the broader contest between Beijing and Washington, with the US providing support to India. The conflict would become harder to control as the situation escalated. Under this scenario, there would be more military resources being reassigned to the Himalayas by both China and India, and war would therefore become a stronger possibility.

How could this come about?

The proxy flashpoint scenario would arise out of a deadly border clash along the LAC. With the militarisation of the border, and improved infrastructure for quick deployment, the initial clash would then develop into a prolonged military conflict with occasional casualties. The US would give support to India, and there would be a surge in nationalist sentiment on both sides, where these developments would further inflame tensions and complicate de-escalation efforts. China would view the conflict as part of a broader containment strategy and see India as becoming part of a US-led bloc. Both sides would show no willingness to negotiate.

What would be the consequences for China and India?

Bilateral relations: The conflict would spark a diplomatic crisis, with both sides accusing each other of aggression and violating the border patrol agreements. A prolonged military confrontation with casualties would cause diplomatic relations to plummet well below the low levels seen in the immediate aftermath of the 2020 clashes. Under this scenario, even if the war was relatively short, this could still potentially set bilateral relations back where they were immediately following the 1962 war. At that time, diplomatic representation between China and India were downgraded to chargé d'affaires, and ambassadorial relations did not resume until 1976. If the war became a much longer conflict, this could drive relations to a historic low.

Trade and investment: In the event of a lengthy military conflict, even with US support to diversify its supply chain, India would face greater economic consequences than China due to its heavy dependence on Chinese imports. Under this scenario, India would likely

impose targeted restrictions on Chinese technology and investment in vulnerable sectors, as it did after the 2020 clash. Similarly, it is likely that China would impose export bans on raw materials essential for key Indian industries, a strategy it has previously employed against other countries during periods of high tension.⁵⁶ The territorial stakes in this scenario would compel both sides to prioritise sovereignty over economic interests. This could therefore lead to a significant contraction in bilateral trade and investment. In the case of a prolonged war, as could potentially occur under this scenario, trade and investment could come to a complete halt, with severe consequences for the Indian economy.

International relations: Under this scenario, the US would likely provide support to India during the conflict. This would mean that US-India ties would strengthen considerably. India would likely also deepen its relationship with Quad partners, which might offer economic, diplomatic, and possibly military support. This could push the Quad in a more military direction, as India is often regarded as the main reason the grouping has not adopted a stronger traditional security focus.⁵⁷ In response, China might further strengthen its ties with regional partners such as Pakistan. India would also withdraw from minilateral and plurilateral initiatives involving China, such as the RIC and the SCO.

Implications for Europe

This scenario sees a border clash followed by significant escalation. This development could have a considerable impact on the European economy by disrupting trade and supply chains of goods, intermediate inputs, and industrial components. Under such a scenario, the affected sectors would include pharmaceuticals, automotive manufacturing, electronics and telecommunications, and renewable energy equipment.⁵⁸ The EU would be very exposed to such disruptions because it is a major trading power that is deeply integrated into the global economy.⁵⁹ Even where Europe does not import products directly from China or India, it often depends on complex supply chains in which companies at different stages of production source inputs from those countries.⁶⁰ In the event of a protracted conflict or war, regional shipping could be severely affected, with significant consequences not only for trade but also for energy security and industrial production.⁶¹

Under this scenario, the EU would likely seek to maintain a neutral position, particularly if neither side is widely seen as the principal aggressor. However, it is possible that Washington might encourage or pressure its European allies to align more closely with the US position and provide New Delhi with some level of economic and logistical support. In such a scenario, European countries would likely seek to balance support for India with the need to maintain functioning diplomatic and trade relations with Beijing.

Forecast

It is not in the interest of either China or India to be drawn into a prolonged military conflict such as the one described in this scenario. This would generate significant political and economic instability for both countries. If such a conflict were to end unfavourably for India, it could erode the government's credibility. If this kind of conflict ended unfavourably for China, the consequences for political stability would potentially be even more severe, given that China is a one-party state and the legitimacy of the Chinese Communist Party would likely be seriously undermined. A conflict would also compel the PLA to divert resources from coastal areas, a significant disadvantage in the event of a military operation against Taiwan. For India, a breakdown in relations could severely hamper economic growth, disrupt critical imports

from China, and expose vulnerabilities in key supply chains. Moreover, China's control over upstream water sources in the Himalayan region likely serves as a powerful and low-cost deterrent that further reduces the likelihood of Indian escalatory actions.

Intense US-China rivalry could possibly spur conflict between China and India, but this may not necessarily occur. On one hand, if India believes it has the political and economic backing of the US, it might feel emboldened to take more aggressive actions. On the other hand, a stronger US-India partnership could deter China from taking escalatory action. Given the potential global ramifications of an extended conflict between China and India, the US may also seek to discourage India from engaging in provocative behaviour, even as it continues to support India. Based on these considerations, and given that the current trend in China-India relations points toward improvement, this scenario is deemed highly unlikely in the short term.

Scenario 4: Contained Confrontation

The fourth possible future scenario would see a return to the previously strained relations following a border clash similar to the one that occurred in 2020. Under this scenario, the border clash would take place amid low US-China rivalry and there would therefore not be the same kind of broader escalation that would occur under the *Proxy Flashpoint* scenario. However, managing the fallout would prove more time-consuming and fraught for both sides than it had after 2020. This is because the cumulative damage from this further deadly clash, building on the damage already done in 2020, would inflict deeper, more lasting harm on bilateral relations.

How could this come about?

This scenario could be set off by a border incident resulting from perceived incursions along the LAC. In this situation, domestic nationalist pressures would surge, compelling both governments to appear resolute and assign blame to the other side, while simultaneously resisting any concessions that could be portrayed as weakness. At the same time, the shared interest in economic and political stability would create incentives for both sides to de-escalate quickly. The occurrence of another border clash, however, would mean that existing trust mechanisms would need to be rebuilt and new ones established to lay the groundwork for eventual stabilisation.

What would be the consequences for China and India?

Bilateral relations: Relations would become severely strained in the immediate aftermath of the clash. High-level visits would be suspended and diplomatic engagement would be reduced to crisis management. Ambassadors would be recalled, and visas for tourists, journalists, and researchers would be refused or not renewed. Under this scenario, however, the absence of overt US backing would mean that de-escalation was more achievable than in scenario 3. This is because in this scenario, where there is less of a US role, China would be less inclined to frame the conflict as part of a broader geopolitical struggle. Over time, relations would gradually recover, though the cumulative damage of a second clash would be likely to slow this process considerably when compared to the post-2020 recovery.

Trade and investment: The border clash which would trigger this scenario would most likely lead to an immediate deterioration in economic relations. This scenario would therefore be different from scenario 1 (Strategic Convergence) and scenario 2 (Managed Tension),

where economic relations would be maintained. Under this scenario, as in 2020, India would likely impose targeted restrictions on Chinese technology and investment in vulnerable sectors. Meanwhile, China would be likely to selectively restrict exports of raw materials critical to Indian industries. Without the added pressure of US involvement, however, the economic fallout would likely be more contained than in scenario 3, as geopolitical pressures to decouple would be less prominent. Despite these restrictions, overall trade could still increase in line with the current trend of India's growing economic dependence on China.

International relations: The absence of US involvement would limit the broader geopolitical ripple effects seen in scenario 3. The clash would nonetheless reinforce New Delhi's interest in maintaining and deepening its relationships with the US and Quad partners as a hedge against future Chinese pressure. Without overt US backing, however, in this scenario India would have less leverage to mobilise international support. Under this scenario, Washington would likely view the conflict as a bilateral dispute rather than a strategic opportunity to deepen ties with New Delhi. Within international forums, such as the UN, China and India would maintain a degree of performative cooperation, yet meaningful collaboration would be suspended for the duration of the crisis. The RIC mechanism would similarly be placed on hold until relations began to stabilise.

Implications for Europe

This possible future scenario sees another border clash between China and India. Such a clash, even if temporary, would contribute to greater regional instability, which is not in Europe's interest due to the heightened risks for European businesses and investments. Depending on the scale and intensity of the clash, European companies would be likely to suffer from supply chain delays and higher costs. However, the economic effects for India in this scenario would be less severe and more short-lived than those which would play out in scenario 3 (Proxy Flashpoint).

In terms of India-Europe cooperation, this scenario would bring many of the same opportunities as those that would be offered if scenario 2 (Managed Tension) were to occur. This is because this scenario would increase India's need to economically de-risk from China, which would pave the way for deepened cooperation between India and the EU on trade and supply chain security.

Forecast

The border clash between China and India described in this scenario remains plausible given the unresolved nature of the dispute and the continued military buildup along the LAC. The contestation of the border means that incidents, whether accidental or deliberate, cannot be ruled out. Rising nationalist sentiments in both countries further increase the risk, as domestic pressure could constrain leaders' ability to de-escalate quickly.

Several ongoing developments nonetheless work against the likelihood of this scenario occurring. Both countries have invested in trust-building mechanisms since 2024, which have reduced the likelihood of a major incident in the near term. The shared interest in political and economic stability, along with lessons from 2020, have provided incentives for both sides to be more cautious about allowing border tensions to spiral into a deadly clash. Taking these circumstances into account, this scenario is deemed more likely to occur than scenario 1 (Strategic Convergence) and scenario 3 (Proxy Flashpoint), but less likely to occur than scenario 2 (Managed Tension) in the short term.

Scenarios and forecasts in China-India relations

The scenarios and forecasts presented in this report are tools for distilling key drivers and critical uncertainties in China-India relations that could either sustain the status quo or upend the current trajectory. They are, however, not statistical forecasts derived from deterministic models. Overall, the report projects that the *Managed Tension* scenario is the most likely outcome in the short term. However, arguably what matters more is how the other scenarios help us imagine how relations might evolve based on different developments in two key uncertainties: the border dispute and the US-China rivalry. The four possible future scenarios each describe a different combination of developments in these two uncertain factors. Although deemed less likely given current trends, the other three possible future scenarios should therefore not be dismissed. Their purpose is to allow reflection on the current situation through a range of possible futures and broaden our imagination, challenging our cognitive bias towards the status quo.⁶²

The analysis in this report reveals several important insights. The border dispute remains the most decisive variable in China-India relations: resolving it is a necessary condition for relations to transform fundamentally, while a renewed border clash would be the most likely trigger for a broader conflict between the two countries. Similarly, should China-India relations be drawn into a wider contest between Washington and Beijing, becoming part of a new Great Game, this could precipitate a bloc confrontation in which India is forced to choose a side. Trade and investment, while a defining feature of the bilateral relationship, is unlikely on its own to fundamentally alter the nature of China-India relations. Only a prolonged military conflict, as envisioned in the *Proxy Flashpoint* scenario, would have a significantly adverse effect on trade flows, although trade and investment differ across the other scenarios. Finally, while the border situation appears manageable for now, US behaviour has grown increasingly volatile since the start of the second Trump presidency in January 2025. This makes the role of the US at present the most consequential critical uncertainty for China-India relations in the short term.

Given the uncertainty of US foreign policy under Trump, and the other key variables affecting China-India relations, Europe should prepare for all the possible future scenarios discussed in this study. The most likely scenario, *Managed Tension*, represents a continuation of the status quo. While an improvement in China-Indian relations could pose some risks for Europe if it leads to deeper economic integration between the two countries, Europe would largely benefit from the greater regional stability associated with this scenario. The *Strategic Convergence* scenario could also improve regional stability but may entail considerable risks for Europe. The economic integration and geopolitical alignment envisioned in this scenario could undermine joint EU-India efforts to reduce reliance on China in critical supply chains. A more cohesive BRICS bloc could potentially also challenge European interests and influence in international institutions and global governance.

The scenarios involving either a border clash or a prolonged military conflict between China and India risk not only undermining regional stability but also disrupting global trade and supply chains. This is especially true in the *Proxy Flashpoint* scenario. At the same time, these scenarios could create new opportunities for Europe and India to cooperate on issues of mutual interest, such as the development of critical raw material supply chains independent of Chinese dominance and confronting shared challenges, including Chinese overcapacity and the use of export controls.



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About the Swedish National China Centre

The Swedish National China Centre (NKK) was established in 2021 as an independent unit at the Swedish Institute of International Affairs (UI). The Centre conducts policy-relevant research and aims to contribute to a long-term improvement in the state of China-related knowledge in Sweden. UI's publications undergo internal quality control. Any views expressed are those of the authors.



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