EGMONT POLICY BRIEF 399

– FEBRUARY 2026 –

The Sino-India Relationship and the Future of Asia: A European Perspective

Jan Luykx

In the context of the recent global geopolitical flux, it would be useful to give a European perspective on the evolving relationship between India and China and its broader implications for Asia's future. Drawing from recent developments and historical context, this policy brief explores the complexities of their bilateral ties, regional dynamics, and the roles of external actors, including the European Union.

CURRENT STATE OF THE SINO-INDIAN RELATIONSHIP

Although India and China in 2005, declared that they established a strategic relationship, it is definitely a misnomer to describe their ties as such. Of course, the early 21st century witnessed a surge in strategic partnerships globally—such as the EU-India and EU-China relationships—fuelled by an optimistic era of globalization. The 2005 agreement was a culmination of a process initiated in 1988 with Prime Minister Rajiv Gandhi's visit to Beijing, following decades of strained relations since the 1962 war. Subsequent bilateral agreements, particularly in the 1990s, aimed inter alia to ensure that border issues would not hinder broader cooperation in other domains. This resulted, amongst others, in significant growth in bilateral trade.

Tensions resurfaced from 2013 onward, particularly around the Line of Actual Control (LAC), culminating in the Galwan incident in June 2020, which saw casualties on both sides. In response, India imposed bans on Chinese technology and apps. New Delhi furthermore decided that normal bilateral interaction with China could not resume unless the LAC situation stabilized. It was only in October 2024 that significant political contacts resumed, leading to agreements to stabilize the military situation. Disengagement has occurred along the LAC, but true de-escalation remains pending.

Why did Beijing and New Delhi decide to reestablish 'normal' relations in 2024? Was it the prospect of a re-elected Donald Trump? Was India's serious involvement in the QUAD, the quadrilateral security dialogue between the US, Australia, Japan and India, becoming a matter of concern for China? Was it the Indian need for more Chinese investment in its economy (as stated in the Economic survey, 2023-2024, published by the Indian Ministry of Finance, in July 2024; p 144) that moved Delhi to seek renewed contacts? Most likely a combination of these factors has led to this recent improvement of the Indo-Chinese relationship.

Two primary factors define the latter. The first is the territorial disputes, particularly along the LAC and Chinese claims on Indian territories.

The second is economic: India faces a significant trade deficit with China and relies on Chinese imports for some of its important industrial sectors, such as pharmaceuticals and electronics.

While the bilateral relationship has thus improved over the last one and a half years, one should probably not read too much in the bonhomie displayed at the recent SCO-summit of Tianjin (August 31st – September 1st, 2025) between President Xi and Prime Minister Modi.

EGMONT Royal Institute for International Relations

There exists a whole range of irritants between the two countries. Besides the LAC-situation there are territorial issues related to the erstwhile state of Kashmir. In the 1962 war, China occupied the Akai Sin, part of that historic Kashmir. Furthermore, in the context of the Belt and Road Initiative (BRI), China and Pakistan are in the process of building a logistics corridor, the China Pakistan Economic corridor, that runs through a part of Kashmir that is administered by Pakistan but considered Indian by New Delhi. India has, as a matter of fact denounced the whole of the BRI as a way for China to increase its grip on other countries – especially in South Asia. Which raises another concern India has, namely China's increasing presence in those other South Asian nations and in the Indian Ocean.

Other important dividing factors between India and China are the Chinese veto on India's NSG (Nuclear Suppliers Group) membership, with Beijing's position regarding UN-reform basically blocking India's membership of the Security Council, and Chinese holding up the listing of certain Pakistan-based individuals on UN-terrorism lists.

In summary, the India-China relationship is currently more stable than it was from 2020 to 2024, yet it remains complex and fraught with unresolved issues.

THE BROADER GEOPOLITICAL CONTEXT: SOUTH ASIA, ASIA, AND MULTILATERAL ORGANIZATIONS

Moving on from the purely bilateral context, what is the broader geopolitical environment in which Delhi-Beijing relations should be considered?

First of all, South Asia. Most South Asian countries are now democracies. With the exception of Pakistan, their relationships with China and India are part of their internal political debates. Dependent upon the outcome of the elections in these countries – their governments will be less in favour of India and more keen on China, or the reverse. The countries in this region prefer to establish a balance in their relations with New Delhi and Beijing.

Pakistan in contrast, has become something of a client-state of China. It is now very dependent upon Beijing in many ways (as was also noticeable in May, during the 4-day military clash between India and Pakistan, when Chinese intelligence and warplanes were apparently very useful for Islamabad). It is a country where the army dominates all security-policies and decisions, an army that bases its centrality in the State upon the enmity with India.

While the picture is thus mixed in South Asia as far as Indian and Chinese influence is concerned, in Southeast Asia, China is by far a more powerful player. The ASEAN countries are to a large degree dependent upon their economic and trade ties with Beijing. New Delhi's outreach to ASEAN has remained below expectations. The so-called Act East policy of Prime Minister Modi has the ambition to engage more with those countries, but this does not seem to have translated into much closer political and security cooperation. One of the reasons for this lack of results is probably the not very dynamic trade relations between India and these countries. A serious problem for India in expanding its trade and economic ties with Southeast Asia is Myanmar – a troubled country that presents a physical barrier to New Delhi's ambitions further East and is controlled to a large degree by Beijing.

In East Asia, China is definitely the main power. Beijing's forceful actions in the South-China Sea are a clear indicator of its dominance in that region. India, while having good relations with the other East-Asian countries, does not represent a counterweight for China in that part of the world. We do see, however, that New Delhi is covering its bases in East Asia. It has been strengthening its ties with Vietnam, the Philippines, and especially with Japan. It was interesting to see that Prime Minister Modi, before attending the aforementioned SCO-summit of Tianjin, visited Japan for a bilateral visit which resulted in agreements aimed at strengthening security and economic cooperation. New Delhi also has dynamic economic ties with Taipei.

The non-asian actors that have an important impact on the Sino-Indian relationship are the USA and Russia. This is not a new phenomenon. During the cold war, for example, India and the Soviet Union established very strong ties, partly in response to the US-China rapprochement under President

Nixon. Starting with the Clinton administration, the US re-engaged with India – for economic reasons but also because India was seen as a counterweight to rising China.

The Ukraine war has driven Moscow closer to Beijing, a worrying development for New Delhi. President Trump's rather sudden actions against India last summer, seem to have revitalized the Indo-Russian relationship – as witnessed by the visit of Putin to Delhi on December 4th and 5th. In the short-term, President Trump's policies towards China and India have an impact on the Asian balance of power, undermining the multipolarity that New Delhi wishes for the continent. At present, it seems that it is China that has come out on top in its trade-struggle with the US, while India is a clear victim of Washington's tariff polices. China has also benefited strategically from the way President Trump has treated India – apparently no longer seen by Washington as a useful counterweight to Beijing.

In several multilateral contexts, India and China are at the same table. They are both members of the SCO, BRICS and the G20. Beijing and New Delhi sometimes work together, as they did for example during the latest Climate Summit in Brazil. However, they are in competition regarding the leadership of the 'Global South'. Furthermore, India does not necessarily agree with the anti-western agenda that China and Russia would like to follow within the SCO or BRICS.

CHINA AND INDIA: WHAT ABOUT THE EU?

Where is the EU in all this one may ask? The EU has a relationship with China, and it has one with India – but there is no interaction between the two sets of ties. The EU plays no role in the Sino-Indian relationship.

Furthermore, the reality is that China considers the EU to be a has-been power.[1]

Two decades ago, things looked very different. The EU launched a comprehensive strategic partnership with China in 2003, intended to elevate EU–China relations beyond trade and investment issues to address some of the global political and security challenges. Nowadays, the EU considers China to be a rival and a competitor as well as still somewhat of a partner. Their political values are clashing, they have diverging geopolitical interests and priorities, and competing conceptions of the world order. EU–China relations are, at present, apart from trade and investment, rather shallow and they will remain so for the foreseeable future.

India, in contrast, views Europe as a useful partner for its economic development. In 2004, India and the European Union signed a strategic partnership. This was followed up in 2020 by a wide-ranging Strategic EU-India agenda, soon to be renewed and widened in scope.

The EU and India are also in the process (actually ongoing since many years) of negotiating an ambitious Free Trade Agreement, to be concluded (hopefully) soon. Both the Strategic Agenda and FTA should be adopted at the next India-EU summit, which will take place in February 2026 in New Delhi.

The EU, after many years neglecting New Delhi politically, seems to have finally understood the importance of strengthening its relationship with India. The visit, in February 2025, of the almost complete European Commission to Delhi showed the serious intentions of Brussels in this regard.

The EU's economic and geopolitical interests align with supporting India's rise as a dynamic trading partner, reducing Europe's dependence on China.

However, questions remain about the EU's credibility as a strategic actor. Despite years of common security and defence policy (CSDP) initiatives, the EU lacks robust defence capabilities, relying heavily on American military support. The Ukraine war and recent US policy shifts have prompted Europe to reevaluate and enhance its own security roles, highlighting the need for credible global partners such as India.

While India's close relationship with Russia may be unpalatable to some in Europe, it should not preclude

1 'Europe sees China as a rival. China sees Europe as a has been', The Economist 17/11/25

deepening EU-India defence cooperation, particularly in maritime security. China and Pakistan's military pressure on India in the Himalayas strains New Delhi's naval resources, while China expands its influence in the Indian Ocean. EU-India maritime cooperation could help address security gaps in that region. Nevertheless, the EU's security activities remain limited, and Europe's reliance on the US for defence persists. In the long run, a robust EU-India strategic partnership could strengthen both trade and security ties, partly compensating for uncertainties created in Brussels as well as in New Delhi, by present US policies.

For this partnership to flourish, both sides must show better understanding of the security challenges that each of them faces, such as the EU's concerns about the threats posed by Russia and the problems India faces with regard to China.

THE IMPACT OF THE SINO-INDIAN RELATIONSHIP ON THE FUTURE OF ASIA AND THE WORLD

Assessing the impact of the Sino-Indian relationship on Asia's future requires considering the broader trajectory of a rising China. More specifically, what will the impact of an ever more powerful China have on Asia and on the world? The relevance for Asia's future of the Sino-Indian relationship should be evaluated in this context.

President Trump's references to a US-China "G2" dynamic, implying the emergence of two great powers, underscore the limited impact the India-China relationship has on global developments. It is impossible to predict what the next US-administrations will do: will they return to policies defending and promoting a rules-based international order? For the next few years, unpredictability will dominate the global field. Trump's law of the jungle-politics will benefit China, and it will cause problems for India and for the EU, both reliant upon the rules-based international order that has existed for the last 80 years. Current geopolitical turmoil, especially questions about America's commitment to the security of Taiwan and of other nations in East-Asia, may prompt regional actors to seek enhanced security cooperation with partners like India.

In a scenario whereby Taiwan was to fall into the hands of Beijing, China would become even more powerful. It would free Chinese military capacities that are now directed towards Taiwan for other areas, such as the Himalaya. This in turn will force India to further strengthen its defences along the LAC.

India will have to strive for a balanced economic relationship with China while absorbing the security challenges posed by Beijing in the Himalayas, and more broadly in South Asia and in the Indian Ocean. At the present time, there are no indications that China is really interested in fundamentally solving the border issues with India. These will therefore remain a permanent bone of contention, a real security-risk for India. They tie India down in the Himalayas. China's influence in India's South Asian neighbours will not necessarily increase, but it will nevertheless be a continuous source of worry for New Delhi. In the Indian Ocean too, China's presence has increased over the years. With several ports in the area owned by China, India has every reason to feel surrounded by Beijing.

In conclusion, it seems that Asia will become increasingly dominated by China. Furthermore, the complex relationship between Delhi and Beijing carries the seeds for future conflicts. However, only a fast-developing India, paradoxically depending for this to a large degree on a good economic relationship with Beijing, will be able to become a credible counterweight to China in Asia.

Seen from Brussels, it is in the economic and security interest of the EU to help India achieve its developmental goals, so as to enable the latter to become a real alternative to China as a market and to be a pole of stability in Asia.

Jan Luykx is a Senior Associate Fellow in the Europe in the World Programme at Egmont Institute. He is a former Belgian diplomat and Chairman of the Belgian National Security Authority.

www.egmontinstitute.be