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Restraint, Risk and Resilience: India's Approach to China in the Indo-Pacific Balance

1. Introduction: Trade, Risk, and the Logic of Strategic Autonomy

Chairman Brands, Vice Chairman Stivers, distinguished Members of the Commission, and Commission staff: thank you for the opportunity to appear before you today. I am honoured to contribute to this hearing on India, China, and the balance of power in the Indo-Pacific. I offer these remarks in my personal capacity as an India-based policy researcher focused on economic diplomacy and sustainable development.

The context is that India is managing a relationship with China that is economically consequential, politically sensitive, and strategically constrained. In FY2024–25, India–China merchandise trade totalled about US$127.7 billion, with India importing about US$113.5 billion and exporting about US$14.3 billion, resulting in a deficit of roughly US$99.2 billion. In the same period, China accounted for around 16 percent of India's total imports, which, as the data speaks, is one reason the relationship sits at the intersection of industrial necessity and risk management.[i]

The central proposition of my testimony follows from that reality. India's economic relationship with China is neither a story of inevitable conflict nor a tale of easy interdependence. It is managed interdependence under strategic competition. India must keep growing, industrialising, and creating jobs at scale, which means it cannot treat trade as a purely geopolitical instrument. At the same time, India cannot treat trade and technology dependence as purely commercial, given that the security environment has hardened again with China since 2020. The result is a posture that can look contradictory from the outside but is internally

consistent: India keeps the economic door open, builds guardrails around sensitive nodes, and steadily diversifies supply chains, investment sources, and technology partnerships.

This balancing act matters for the United States because the India–U.S. relationship has, over the past decade, produced genuine strategic convergence across defence, technology, and Indo-Pacific coordination, including through structured technology cooperation such as the iCET within the Comprehensive Global Strategic Partnership framework.[ii] Yet even strong partnerships can enter difficult phases. A more challenging global trade climate, broader use of sanctions and export controls, and sharper domestic political constraints have created friction in areas where India and the United States do not perfectly align, including episodes in which U.S. tariff and sanctions instruments have featured prominently in debates over India's policy choices. India's response, consistent with its tradition of strategic autonomy, is not to pivot away from Washington, but to hedge against uncertainty by keeping channels open with Beijing where feasible and by seeking regional stabilisation where possible.

In this testimony, I will proceed in six parts. First, I outline India's approach to China across trade, investment, and strategic autonomy. Second, I explain why a trade deficit is not inherently "bad," and why India's deficit with China becomes politically and strategically salient beyond certain thresholds. Third, I discuss India's toolkit: capability-building at home, rule enforcement, and selective restrictions in strategic sectors. Fourth, I assess effectiveness and trade-offs since 2020. Fifth, I discuss the risks of coercion and resilience. Sixth, I interpret the recent thaw with China, consider limited pathways for improvement, and offer implications and recommendations for U.S. policymakers and Congress.

With that framing in place, I begin from two realities that shape India's approach to China. The first is developmental interdependence: India's growth and industrial transition still benefit from access to regional production networks and competitively priced inputs that cannot be substituted overnight without costs. The second is strategic risk management: since 2020-21 skirmishes with China, New Delhi has been more attentive to how concentrated dependence in critical infrastructure, technology ecosystems, and sensitive supply chains can constrain autonomy under stress. Taken together, these realities explain India's effort to keep commercial channels functional while tightening guardrails and building alternatives where exposure could become a strategic vulnerability.

2. India's Core Approach: Managed Interdependence Under Strategic Competition

India's approach to China starts from a dual imperative: sustain growth through continued participation in regional production networks, while preventing concentrated economic exposure from becoming strategic vulnerability. In practice, New Delhi has tried to reconcile these aims through a framework of managed interdependence: keeping commercial channels functional where they support industrial upgrading, but tightening scrutiny and building alternatives where dependence could constrain policy choice in a crisis.

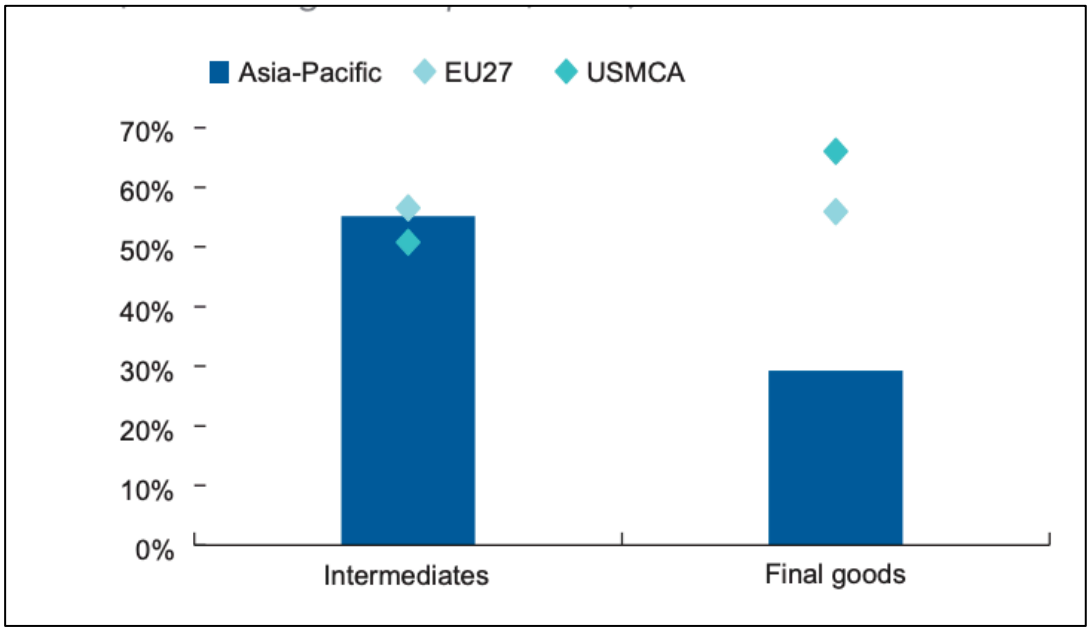
From a developmental standpoint, India's engagement with China reflects the structure of contemporary production networks. China's manufacturing ecosystem supplies India with capital goods and intermediates that are difficult to replace at comparable scales, speeds, and costs. These inputs sit inside Indian value chains in electronics, machinery, renewables, chemicals, and pharmaceuticals, and they support both domestic consumption and export competitiveness. In that sense, trade is not treated as a purely geopolitical instrument. It is also a channel through which firms source productivity-enhancing inputs, and through which the state manages the practical constraints of industrial transition.

More broadly, India's constraints are reinforced by the structure of Indo-Pacific production networks, in which China remains deeply embedded as an upstream supplier and processing hub, even as final assembly shifts elsewhere. The International Monetary Fund has noted that Asia's supply-chain trade is disproportionately "intra-regional" in intermediate goods, with roughly 60 percent of intermediate-goods exports remaining within Asia, compared with only about 30 percent of final-goods exports, a pattern consistent with multi-stage production that relies on regionally sourced components and materials.[iii] In this ecosystem, China's commercial linkages are not peripheral; they are scale-defining.

For example, China–ASEAN trade was reported at about US$771 billion in 2024, underscoring the density of two-way input and component flows that sit beneath headline final-goods trade. Regional institutional design also reflects this reality: the Regional Comprehensive Economic Partnership (RCEP), which India decided not to join in 2019, links economies that together account for roughly 30 percent of global GDP and nearly a third of the world's population, formalising a rules-based geography in which China is a central production node rather than an external supplier.[iv] The implication for India, and for Indo-Pacific partners more generally,

is that "diversification" is often a reconfiguration of stages within value chains, not an immediate substitution of upstream China-linked inputs.

Figure 1: Intra-regional Goods Exports (Percent of goods exports, 2023)



Source: International Monetary Fund[v]

At the same time, India's strategic lens is now inseparable from its economic calculus. Since 2020, New Delhi has placed greater weight on the risks of asymmetric interdependence, mainly where dependencies concentrate in domains that could become binding constraints during crises. This has not translated into a uniform policy of exclusion, but into a more conditional approach to Chinese capital and participation in sensitive sectors. A clear illustration is India's tighter screening of investment from countries sharing a land border with India, introduced through the government-approval route and framed officially as a safeguard against opportunistic takeovers.[vi] The intent, as articulated in Indian policy language, is to increase scrutiny of control, beneficial ownership, and risk concentration, rather than to treat economic engagement as illegitimate in itself.

India's preferred adjustment mechanism, however, is not a "big-bang" separation. It is capability-building and diversification. New Delhi has tried to expand domestic value addition and reduce single points of failure through industrial policy and supply chain development,

while widening its portfolio of technology and investment partnerships with multiple advanced and regional economies. India's Production Linked Incentive (PLI) framework is part of this strategy: it spans various sectors, seeks to pull manufacturing and supplier ecosystems onshore, and has been associated with large-scale production targets, investment mobilisation, and export ambitions, including in electronics.[vii] The policy logic is to preserve openness where it supports growth, while steadily increasing the feasibility of substitution and domestic production over time.

A further strategic complication is Pakistan, which functions as a structural variable in India–China threat perceptions. India recognises that China's long-standing relationship with Pakistan reflects Beijing's own security and connectivity considerations, and New Delhi does not claim a veto over those choices. Yet India's strategic community assesses that deepening China–Pakistan defence and infrastructure cooperation can raise crisis-management risks during India–Pakistan flare-ups and can reinforce concerns about a two-front contingency. This does not mean that India considers stabilisation with China impossible. It means stabilisation tends to be bounded: India may pursue tactical de-escalation and compartmentalised economic engagement with China, while remaining cautious about the security externalities generated by the China–Pakistan axis.

Taken together, India's approach is best described as selective de-risking within a managed interdependence framework. India competes and cooperates with China simultaneously, but seeks cooperation on terms that do not create new vulnerabilities in high-trust systems or critical supply chains. This framing also sets up the economic question that dominates India's domestic politics: not whether a deficit is morally suspect, but when the scale, composition, and concentration of a deficit become a strategic risk signal. That is the focus of the next section.

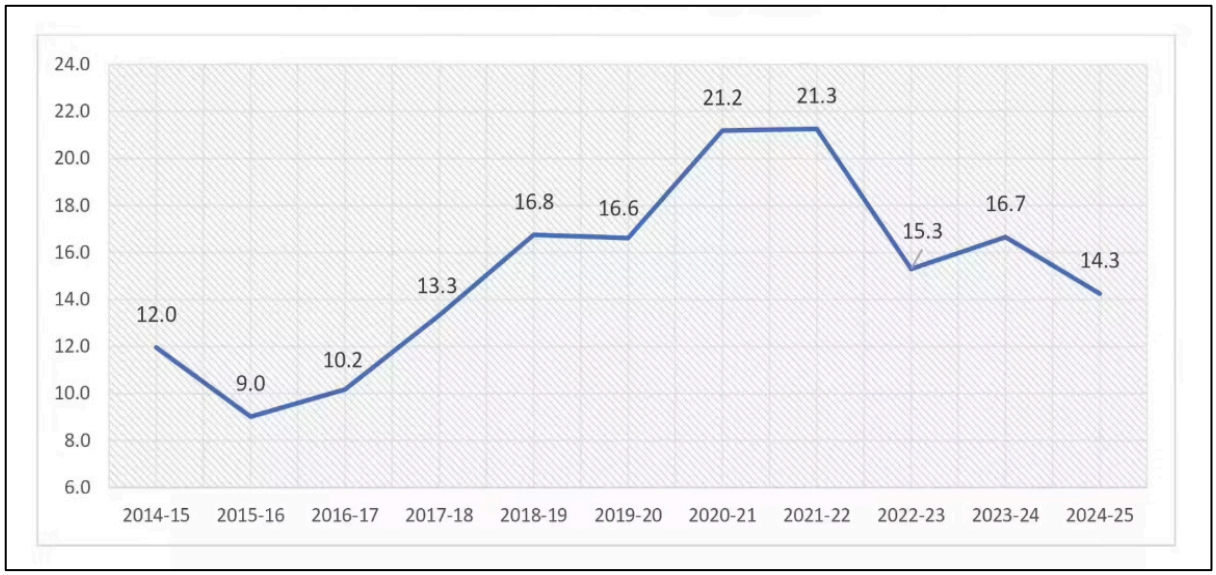
3. Trade Deficits: Not a Moral Failing, but a Risk Signal Beyond Certain Thresholds

A bilateral trade deficit is not, by itself, evidence of unfairness or exploitation. In a world of fragmented production and global value chains, the same product can cross borders multiple times as components and sub-assemblies, which can make bilateral balances look larger or more politically charged than the underlying value-added relationship. At the macro level, the

external balance is better interpreted through the current account and its underlying savings–investment dynamics, rather than through any single bilateral gap.[viii]

That said, deficits become policy-relevant when they cross practical thresholds and signal structural risk. The first threshold is scale and persistence. India's overall trade and payments position can remain manageable even when one bilateral deficit is huge; for instance, India's current account deficit in FY2024–25 was roughly 0.6 percent of GDP, even as its total goods imports were about US$721 billion.[ix] Yet a bilateral gap that persists for multiple years suggests a competitiveness and capability gap that markets alone may not close quickly. This is why India's deficit with China, which is now close to US$100 billion, has become politically salient and a subject of strategic debate.[x]

Figure 2: India's exports to China, FY2015 to FY2025 (US$ billions)



Source: The Economic Times[xi]

The second threshold is composition. Deficits matter more when imports are concentrated in intermediates and capital goods that sit deep inside domestic production, because substitution is slow and costly. When dependence is embedded in electronics inputs, industrial machinery, chemicals, and clean-energy supply chains, the deficit becomes a proxy for how hard it would be to keep factories running during a shock. India's clean-energy manufacturing illustrates the logic: even as India expands domestic solar manufacturing, policy has had to grapple with the

reality that upstream components are heavily import-dependent, especially from China, and adjustments often require phased mandates rather than sudden breaks.[xii]

The third threshold is concentration and chokepoints. The strategic concern is not "imports from China" per se, but single-supplier dominance in specific items that cause disruptions to cascade across sectors. Even if aggregate external balances are stable, chokepoint dependence can create tail risks for industry, infrastructure delivery, and public services. This is the point at which deficit management becomes intertwined with resilience planning: diversification, redundancy, standards, and domestic capability are treated as instruments of risk reduction rather than as expressions of protectionism.

Seen through this lens, India's objective is not to eliminate its deficit with China, which would be neither realistic nor economically efficient in the near term. The aim is to compress the deficit into a more sustainable band over time by raising domestic value addition, widening sourcing options, and reducing exposure in the most substitution-resistant inputs. This logic leads directly to India's policy toolkit in the next section: capability-building at home, rule enforcement to manage surges and compliance, and strategic guardrails in sensitive sectors where the costs of failure are unusually high.

4. India's Policy Toolkit: Capability Building, Rule Enforcement, and Strategic Guardrails

Because India's China exposure is most acute where dependence is concentrated, New Delhi's policy response has not been a single instrument but a layered toolkit. Its underlying logic is to preserve the developmental benefits of trade and investment where they remain productivity-enhancing, while reducing tail risks in domains where disruptions, opaque upstream dependencies, or loss of control would carry outsized strategic costs. In practical terms, this has produced three mutually reinforcing lines of effort: capability building at home, rule enforcement at the border and in the domestic market, and firmer guardrails around sensitive sectors.

A. Capability building at home

The centre of gravity of India's response is structural and medium-term: build domestic capability so that substitution is feasible, not merely desirable. India's Production Linked Incentive framework reflects this strategy, spanning multiple sectors with a large aggregate outlay and a stated emphasis on scaling manufacturing ecosystems, crowding in investment, and strengthening export competitiveness.[xiii] The objective is not autarky, but resilience through deeper domestic value addition and broader supplier networks, so that India's exposure to any single external manufacturing hub declines over time.

A key analytical point, often missed in political debate, is sequencing. Capability building can initially raise specific categories of imports even as it reduces longer-term vulnerability. When assembly and downstream manufacturing expand, components and intermediate imports may rise before upstream ecosystems mature. This is a transitional pattern consistent with global value chain upgrading, and it matters because it cautions against reading short-run import data as a definitive scorecard for success or failure. The more policy-relevant metrics are whether domestic value addition is rising, whether supplier bases are diversifying, and whether the most substitution-resistant chokepoints are being addressed.

B. Rule enforcement and defensive instruments

Alongside capability building, India has relied more heavily on rules-based defensive instruments than on indiscriminate tariff escalation. One pillar is standards and conformity. In electronics and IT products, for example, the Bureau of Indian Standards imposes compulsory registration requirements for notified goods, which serve as compliance gates in categories where quality, safety, and traceability concerns are prominent.[xiv] This approach allows India to frame enforcement as consumer safety and market integrity, while still shaping the composition of imports toward more compliant and auditable supply.

A second pillar is the use of trade remedy instruments that sit within established, WTO-consistent toolkits. India's Directorate General of Trade Remedies is the institutional channel for anti-dumping, countervailing, and safeguard investigations when the domestic industry can demonstrate injury and causal links. These measures do not "end" dependence, but they can moderate sudden surges, create time for domestic scaling, and signal that market access is conditional on fair competition and transparent pricing.

Taken together, these enforcement tools serve two functions. First, they manage short-run volatility and compliance risks while longer-term capability building proceeds. Second, they help sustain the political economy of transition by signalling that openness will be defended by rules rather than by permanent vulnerability. This is also where India's sensitivity to trade diversion is relevant: when global tariff and sanctions regimes shift, surplus exports can seek new markets, and rule enforcement becomes a stabiliser rather than an escalatory device.

C. Strategic guardrails in sensitive sectors

The sharpest boundaries appear in sectors where the state's calculus shifts from price efficiency to system integrity, auditability, and continuity under stress. India's framing here is not that commerce with any one country is illegitimate. Instead, the argument is that high-trust systems cannot be built on concentrated dependencies that are difficult to inspect end-to-end, difficult to substitute quickly, and costly to repair during a crisis.

When Indian officials describe "strategic sectors," they are typically pointing to systems where the state cannot tolerate opaque dependencies: telecom networks, core digital public platforms, data-intensive applications, and critical infrastructure supply chains such as power equipment, industrial control systems, and networked hardware. In addition, the strategic category increasingly extends to high-leverage industrial enablers—electronics and semiconductors supply chains, pharmaceuticals (especially upstream inputs), renewables and storage components, and emerging critical minerals/processing pathways—because these inputs shape whether industrialisation can continue under stress. The core anxieties are consistent across sectors: auditability of hardware/software and upstream ownership; risks of remote updates or hidden vulnerabilities; data access and influence potential in platform ecosystems; and the possibility of targeted supply throttling in chokepoint components. Put simply, India's strategic lens is applied when dependence could become coercive leverage, when "trusted" supply is hard to verify, and when failure would impose asymmetric national costs.

Telecommunications illustrates this approach. India's "trusted" framework for telecom products and sources formalises security-oriented vetting and procurement choices, reflecting the view that communications networks underpin emergency response, financial services, industrial control systems, and sensitive public platforms.[xv] The point is not to stigmatise vendors by nationality, but to reduce systemic risk in infrastructure that must remain

dependable even under geopolitical stress, including through greater transparency and trusted supply arrangements.

A similar logic has shaped the platform and data domain. In June 2020, the Government of India banned 59 mobile applications, citing sovereignty, integrity, defence, and security concerns under the legal framework it invoked. Whatever one's view of the openness–restriction balance, the policy rationale was structural: data-rich platforms can create scale-based exposure when strategic trust is low, and the state may treat that as a governance risk rather than a conventional consumer choice issue.

Critical infrastructure has also seen a more precautionary posture. During the 2020 period of heightened tension, India moved toward requiring government permission for imports of power supply equipment and components from China, reflecting a risk-management approach to embedded vulnerabilities and continuity in essential systems.[xvi] This is best read as part of a broader global trend in which governments treat infrastructure supply chains as security-relevant, not as a China-specific doctrine.

Running through all three pillars here is an Indian emphasis on reciprocity. The argument is not that any major economy is "purely open"; India itself uses standards, procurement rules, and industrial policy. The narrower Indian position is that stable market access at scale is easier to defend domestically when there is visible, verifiable movement on access for sectors where Indian firms are competitive.

New Delhi's critique of China's protectionism is best understood as a complaint about predictability and reciprocity, not simply about tariffs. Indian policymakers and firms often see China's market access as constrained by non-tariff barriers: opaque approvals, selective enforcement of standards, uncertain procurement outcomes, and regulatory discretion that can be tightened quickly when politics shift. In India's reading, the state's role in China's industrial ecosystem also amplifies this asymmetry, because subsidies, directed finance, and policy-linked champions can compress margins and deter entry even when foreign firms are legally "allowed." This matters politically in India because the argument for continued openness requires proof that commercial integration is not a one-way exposure. When reciprocity looks thin, Indian policy naturally tilts toward rule enforcement and guardrails—not as an ideological

rejection of trade, but as a way to sustain domestic legitimacy for managed interdependence amid strategic competition.

This toolkit sets up the empirical question addressed in the next section. India's measures have been most decisive in reshaping exposure in specific, sensitive nodes, but slower in altering the macro trade structure that reflects deep production network realities. That difference between "node-level effectiveness" and "system-level transition costs" is the core of the effectiveness-and-trade-offs assessment that follows.

5. Effectiveness and Trade-offs Since 2020: What Changed, What Did Not

The preceding section outlined a layered toolkit: capability building, rules-based enforcement, and security guardrails. In evaluating its effectiveness since 2020, the core pattern is uneven but intelligible. India's measures have been most consequential at the level of specific nodes (platforms, sensitive procurement layers, select investment pathways). At the same time, the overall trade structure has adjusted more slowly because it is anchored in deep production-network realities.

First, the most visible results have occurred where the policy objective was clear and administratively enforceable: reducing exposure in high-trust digital and informational domains. The June 2020 decision to block 59 mobile applications under India's IT Act framework signalled a willingness to treat data-rich platforms as strategic infrastructure when trust is low.[xvii] Subsequent parliamentary disclosures indicate that the intervention was not a one-off gesture but part of a broader pattern of restrictions over time, with hundreds of applications reportedly blocked. In practical terms, these measures altered India's consumer internet landscape quickly, even if they did not, and were not designed to, reshape merchandise trade dependence.

Second, on investment and critical infrastructure, effectiveness has taken the form of procedural tightening rather than headline decoupling. The post-2020 shift to a government-approval route for FDI from land-border–sharing countries is best understood as a screening instrument aimed at control, beneficial ownership, and risk concentration, rather than a comprehensive ban. India's own parliamentary record also indicates that China's cumulative share of total FDI equity inflows into India has historically been small in aggregate terms,

implying that the policy's main impact has been to raise the scrutiny threshold in sensitive cases rather than to switch off a dominant funding channel.[xviii]

A parallel logic is visible in telecommunications security reforms. The National Security Directive on the Telecom Sector and the creation of a Trusted Telecom Portal institutionalise security-oriented vetting by introducing a formal mechanism to identify "trusted" products and sources for telecom networks.[xix] These moves are consequential precisely because they target systems where failure costs are asymmetric, but they also introduce compliance and transition frictions that are real even when strategically justified.

Third, capability-building has produced measurable gains, but its contribution to reducing China-related exposure is gradual and structural. India has scaled up industrial policy instruments, most notably the Production Linked Incentive framework across 14 sectors, with an announced outlay of about 23.7 billion US dollars (approximately 1.97 trillion rupees).[xx] The stated rationale is to deepen manufacturing ecosystems and raise export capacity. In electronics, official reporting highlights sharp increases in mobile phone production and exports over the past decade, including the expansion of handset exports from FY2014–15 levels to multi-billion-dollar values in recent years.[xxi] Yet these achievements coexist with a transitional constraint: upgrading within global value chains can raise intermediate imports in the short run even as downstream capacity expands. That dynamic helps explain why overall reliance on China-linked inputs can remain sticky despite visible progress in assembly and final-stage manufacturing.

Table 1: Production-Linked Incentive (PLI) schemes—headline outlay and reported outcomes (as of December 2023)

Indicator	Amount (INR, billion)
PLI schemes total announced outlay (14 sectors)	**1,970**
Actual investment realised	**1,070**
Production / sales generated	**8,700**
Exports generated	**3,400**
Incentives disbursed (8 sectors)	**44.15**

Source: Government of India, Ministry of Commerce & Industry[xxii]

The trade-offs, therefore, are not incidental. They are part of the transition. Screening and trusted-supply requirements can narrow vendor pools and raise procurement costs in the near term. Standards and enforcement can increase transaction burdens for firms even as they improve traceability and quality. Industrial policy can deliver rapid scaling in selected sectors, but it does not automatically eliminate upstream chokepoints that reflect the geography of regional manufacturing. This gap between node-level risk reduction and system-level rebalancing is why the next analytical question is not whether India has solved dependence, but how it manages residual vulnerabilities, including the risk of targeted supply disruptions and the resilience strategies they require.

6. China's Coercion Risk and India's Resilience Strategy

The preceding section suggests that India's post-2020 recalibration has been more effective at reducing exposure in specific, high-sensitivity nodes than at rapidly altering the broader trade structure. That uneven transition matters for the risk of coercion. India's most plausible vulnerability is not a dramatic, across-the-board interruption of commerce, which would be costly for both sides given the depth of commercial interdependence, but a narrower set of frictions that operate through upstream chokepoints: licensing delays, tighter export documentation, administrative throttling, or selective restrictions on hard-to-substitute inputs.

This risk is not hypothetical in the abstract. Over the past few years, China has increasingly used export controls on select minerals and processed materials as a policy instrument, including measures that require export permits and tighten compliance in strategically salient categories. Media reporting has linked more recent Chinese restrictions to a broader sequence of controls since 2023 on items such as gallium, germanium, and graphite, alongside subsequent additions, including antimony-related products. China has also moved to tighten controls on certain rare-earth-related exports, reinforcing the point that supply-chain leverage is often exercised at the level of specific inputs rather than through blunt, economy-wide bans.[xxiii] For India, the implication is straightforward: even when macroeconomic buffers are stable, disruption risk concentrates where a small set of upstream inputs cascade into significant downstream production losses.

Table 2: World mine production and reserves of rare earths (rare-earth-oxide equivalent), 2023–2024 (metric tons)

Country	Mine production 2023	Mine production 2024 (e)	Reserves
United States	41,600	45,000	1,900,000
Australia	16,000	13,000	5,700,000
Brazil	140	20	21,000,000
Burma	43,000	31,000	NA
Canada	—	—	830,000
China	255,000	270,000	44,000,000
Greenland	—	—	1,500,000
India	2,900	2,900	6,900,000
Madagascar	2,100	2,000	NA
Malaysia	310	130	NA
Nigeria	7,200	13,000	NA
Russia	2,500	2,500	3,800,000
South Africa	—	—	860,000
Tanzania	—	—	890,000
Thailand	3,600	13,000	4,500
Vietnam	300	300	3,500,000
Other	1,440	1,100	NA
World total (rounded)	**376,000**	**390,000**	**>90,000,000**

(Notes: "e" = estimated; "—" = zero; "NA" = not available. Data are in metric tons, rare-earth-oxide equivalent.)

Source: U.S. Geological Survey[xxiv]

Accordingly, India's resilience strategy has become more targeted and programmatic, aiming to reduce substitution-resistant dependence while preserving the efficiency benefits of open trade where feasible. One strand is capability creation in sectors where chokepoint dependence is well understood. In pharmaceuticals, India has paired the Production Linked Incentive architecture with sector-specific measures, such as the Bulk Drugs PLI and the Bulk Drug Parks programme, to expand domestic capacity for critical inputs and manufacturing ecosystems.[xxv] Recent official reporting on PLI outcomes underscores the intended direction of travel. Under the PLI for pharmaceuticals, cumulative sales have been reported at about ₹1.76 trillion

(including exports of about ₹0.92 trillion), alongside reported investment mobilisation of about ₹41.65 billion.[xxvi] Under the PLI for bulk drugs, official reporting highlights incremental sales and exports alongside import-substitution effects, indicating that the resilience objective is being pursued through measured, capacity-led substitution rather than abrupt disengagement.[xxvii]

A second strand is diversification through partnerships and multilateral coordination, especially where domestic capability cannot be built quickly enough to eliminate exposure. India has expanded its engagement with partners on critical minerals, security, and supply-chain resilience, including discussions with Australia and others on access, processing, and downstream ecosystems. In parallel, Quad statements have increasingly framed secure and resilient supply chains, including in critical and emerging technologies, as a shared objective, creating political cover for practical coordination on diversification and risk monitoring.[xxviii] India has also articulated a more explicit "mission" framing for critical minerals in domestic discourse, signalling that mineral security is being treated as an enabling condition for industrial strategy, not merely as a trade issue.[xxix]

Taken together, India's approach operationalises strategic autonomy as resilience: reducing the likelihood that targeted supply frictions translate into macroeconomic stress or policy constraints, while leaving room for calibrated engagement where it serves stabilisation. This emphasis on managing residual vulnerabilities, rather than pursuing maximal separation, also sets up the logic of the following section: why a limited India–China thaw is best read as tactical stabilisation alongside continued hedging, not as a reversal of India's underlying de-risking trajectory.

7. The 2024–25 Thaw: Bilateral Drivers, with External Pressures as a Catalyst

The resilience logic outlined above helps explain why the 2024–25 "thaw" is better read as tactical stabilisation than as reconciliation. India's objective has been to reduce the probability of crisis escalation and targeted supply frictions, without diluting its broader posture of selective de-risking. In other words, de-escalation has been pursued as a risk-management instrument, not as an endorsement of a return to "business as usual."

The most concrete inflection point was the October 21, 2024, understanding on disengagement and patrolling arrangements at Depsang and Demchok, intended to address the most persistent friction points of the post-2020 standoff. By that stage, the relationship had already been sustained through a dense but primarily utilitarian set of mechanisms, including 17 meetings of the Working Mechanism for Consultation and Coordination (WMCC) and 21 rounds of Senior Commanders (military-to-military) talks, underscoring that stabilisation was being worked through institutional channels even when political trust remained limited.[xxx]

Political signalling followed, but remained deliberately bounded. Prime Minister Narendra Modi and President Xi Jinping met on the margins of the BRICS Summit in Kazan on October 23, 2024. They agreed that the Special Representatives on the boundary question would meet at an early date, while other dialogue mechanisms would be revived in parallel. In subsequent weeks, senior-level engagement resumed in multilateral settings, including the meeting between External Affairs Minister S. Jaishankar and Foreign Minister Wang Yi in Rio de Janeiro on November 18, 2024, and the interaction between the two defence ministers on the margins of the ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus) in Vientiane on November 20, 2024. These steps were meaningful because they restored a degree of diplomatic bandwidth and predictability. Still, they did not alter India's stated sequencing: normalisation remains conditional on stable border management and verifiable implementation on the ground.[xxxi]

By 2025, the thaw also began to register in selective, low-visibility normalisation moves that reduce transactional friction without resolving core disputes. A notable example is the reported decision to resume direct flights after a multi-year suspension, with services expected to restart by late October 2025, subject to airline decisions.[xxxii] In the run-up to this testimony, commercial connectivity has continued to expand at the margin, including Air India's announced resumption of non-stop Delhi–Shanghai flights from February 1, 2026.[xxxiii] These are not strategic breakthroughs, but they are consistent with a pattern of "stabilisation without settlement," where limited confidence-building measures are used to lower volatility and manage practical interdependence.

External pressures acted more as a reinforcing catalyst than as a primary driver. A more punitive global political economy, tighter technology controls, and sharper major-power competition increase the value, for both sides, of preventing the India–China relationship from becoming

an open-ended crisis. For India, the critical point is that tactical stabilisation does not imply strategic convergence: it is a hedge to buy time for capability-building and diversification, while keeping escalation risks bounded. That interpretation is essential for the policy implications that follow, including why Washington should avoid binary assumptions about India's China posture and instead prioritise steps that expand India's options and resilience.

The thaw's centre of gravity remained bilateral: India's priority was to reduce the probability of renewed border escalation and to stabilise the relationship enough that targeted supply frictions do not become an additional crisis variable. External pressures mattered, but largely at the margin. A more uncertain global trade climate and episodic friction in major-power economic policy can strengthen India's incentive to keep minimal stabilising channels open with Beijing, because India's doctrine has long been to avoid single-point dependence on any one external partner. Yet it would be a mistake to interpret this as "turning away" from the United States. It is better understood as classic Indian hedging: stabilise where possible, compartmentalise where necessary, and preserve manoeuvre while the domestic capability agenda proceeds.

If India–China economic relations improve, the pathway is unlikely to be a dramatic reset; it is more plausibly a sequence of calibrated, low-risk steps. These could include smoother commercial connectivity (flights, visas, business travel), the revival of certain dialogue mechanisms, and selective easing of investment or procurement frictions on a case-by-case basis, where security risks are manageable and domestic political optics are defensible. A wholesale rollback of post-2020 screening or a rapid shift, such as India rejoining RCEP, appears less likely in the near term because the structural concerns, such as trust deficits, border conditionality, and chokepoint exposure, remain.

For India, the minimum assurance package from China would have three elements: (i) verifiable border stability and credible crisis-management signalling; (ii) predictability that critical inputs will not be subjected to selective throttling during political disputes; and (iii) tangible movement on reciprocity—clearer, more reliable market access in sectors where Indian firms can compete, and reduced regulatory discretion that undermines commercial confidence. If such a stabilisation trajectory holds, U.S.–India relations should not be framed as a zero-sum casualty. Rather, India's posture would be consistent with its strategic autonomy doctrine: keep stabilising channels open with China while deepening capability-building

partnerships with the United States and other trusted partners. The practical implication for the U.S. is that expanding India's options, such as through resilient supply chains, trusted tech ecosystems, and predictable cooperation frameworks, reduces the incentives for hedging driven by uncertainty.

8. Conclusion: Resilience Through Options, Not Binary Alignment

The policy implication for Washington is that an India–China "thaw" should not be read as strategic drift, but as New Delhi's calibrated effort to keep escalation risks in check while it strengthens domestic capability and accelerates diversification. In that setting, the most durable U.S. approach is to deepen cooperation with India in ways that expand India's menu of credible options, because greater optionality is the practical foundation of strategic autonomy and resilience.

First, treat resilience as a shared strategic objective rather than a rhetorical add-on. Congress can support targeted U.S.–India cooperation that reduces chokepoint dependence in electronics inputs, pharmaceuticals supply chains, clean-energy components, and critical minerals, using a mix of finance facilitation, risk-sharing instruments, and regulatory clarity to crowd in private investment. The goal is not the "exclusion" of any country, but redundancy and continuity: ensuring that supply frictions, whether geopolitical or market-driven, do not translate into binding constraints on India's growth or crisis-response capacity.

Second, prioritise institutionalised, scalable technology cooperation. The logic of structured mechanisms like the U.S.–India Initiative on Critical and Emerging Technology (iCET) is precisely to move beyond episodic coordination and toward predictable pipelines across semiconductors, trusted connectivity, AI applications, and secure digital infrastructure.[xxxiv] For the U.S. Congress, the operative contribution is to reinforce these pipelines through oversight and authorisations that incentivise joint R&D, standards cooperation, and commercial deployment, while keeping requirements transparent enough that firms can plan investment and compliance with confidence.

Third, align export-control practice with partnership realities by maximising predictability and minimising avoidable transaction costs. India's placement in the Strategic Trade Authorization framework, including steps that expanded eligibility for License Exception STA, is relevant

because it signals a pathway for trusted trade treatment when compliance and end-use assurances are credible.[xxxv] Congress can encourage a disciplined approach that pairs robust safeguards with more predictable licensing timelines and guidance in strategically essential technology domains. The objective is not to dilute controls, but to ensure that controls support resilience-building in a partner rather than inadvertently slowing diversification away from high-risk dependencies.

Fourth, manage sanctions and trade frictions with partnership optics in mind, especially where U.S. legal requirements intersect with India's legacy dependencies and transition constraints. Congress has legitimate interests in sanctions integrity and national security screening; the practical ask is to pair enforcement with transparent pathways for guidance, waivers where legally available, and structured consultations so that the partnership is not perceived as conditionally transactional. When uncertainty rises, India's incentive to hedge increases; reducing avoidable uncertainty is therefore a form of strategic investment.

Fifth, deepen defence-industrial cooperation in ways that build interoperability without demanding alliance commitments. The objective should be long-horizon co-development, co-production, and institutional linkages that gradually reduce India's legacy supply vulnerabilities, while also strengthening deterrence and operational coordination in the Indo-Pacific. Congress can support this through authorisations that streamline cooperative pathways, encourage joint innovation ecosystems, and de-risk industrial partnerships that have a clear strategic rationale and a robust compliance architecture.

Finally, build a joint playbook for supply shocks that treats resilience as a standing function, not a crisis improvisation. This includes early-warning mechanisms for disruptions, targeted stockpiling or surge arrangements for selected inputs, and coordination with partners to improve visibility into vulnerabilities and reduce the effectiveness of targeted restrictions. Where multilateral coordination on critical minerals and supply-chain resilience is already emerging, Congress can reinforce it by encouraging information-sharing and investment facilitation rather than framing it as overt bloc politics.[xxxvi]

Taken together, these steps are designed to align with the core logic of the testimony: India will continue to manage interdependence with China under strategic competition, tightening guardrails where tail risks are high, while keeping selective channels open where growth needs

and stabilisation incentives align. The most productive U.S. response is not to press for binary alignment, but to help India build capability, redundancy, and choice at scale, which strengthens both India's autonomy and the long-run foundations of U.S.–India strategic convergence.

Thank you. I look forward to your questions.

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