

EAI-ISAS

China and India

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Reasons for China-India Optimism

- Trump pushing India-China together
- Shared desire for a less Western trade system
 - More policy space to meet developmental needs
 - Recognition of legitimacy of state-directed capitalism
- Shared desire to institutionalize non-Western governance structures
 - Post-war structures – created in US image – are outdated
 - Xi: “changes not seen in 100 years”

Reasons for China-India Pessimism

- Shared aversion to US-led order not enough. Summitry is just summitry
- Economic and trade objectives often at loggerheads
 - China wants to keep what India wants to take
 - US no longer pressure valve for China excess capacity
 - Trade imbalance, reluctance to open. RCEP as a cautionary tale.
- Competition for leadership of Global South
 - Two “civilizational” powers led by strong men
- Glaring geopolitical flashpoints

Looking forward ... assume brace position

- Rules-based trade is collapsing – chaotic ripple effects have hardly begun
- Don't underestimate Trump's ability to shock: World can change in a heartbeat
 - A “big beautiful” trade deal with India?
 - A “big beautiful” trade deal with China?
 - With both? With neither?