Guest Column

Beyond Bilateralism: Can China and India Cooperate in South Asia?

By Constantino Xavier



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After several years marked by severe diplomatic strain and military confrontation along their shared border, China and India have undertaken a cautious process of bilateral normalisation. Over the past two years, high-level political exchanges have resumed, ministerial contacts have been restored, and both governments have extended practical gestures of engagement: new air routes, eased trade corridors, and partial relaxation of Indian restrictions on Chinese investment.

The significance of this thaw extends beyond the bilateral relationship itself. Both powers are deeply embedded in the broader South Asian geography stretching from Afghanistan in the northwest to Myanmar in the east, and from Nepal in the north to Sri Lanka and the Maldives in the south. New Delhi has long regarded this arc as its primary sphere of strategic and economic interest. But over the past two decades, China has established itself as a resident actor across the region — a major financier, infrastructure provider, trade partner, and increasingly also a security actor and political interlocutor.

As both countries recalibrate their bilateral relationship, this moment presents an opening to probe whether improved Sino-Indian relations might spill-over from the bilateral into the regional. Can Beijing and New Delhi work towards closer consultations and cooperation to address many structural challenges facing over a billion people across the region?

Competition and conflict

China and India have navigated a shifting and often uneasy relationship across South Asia's third countries **since the 1950s**. Cooperation, coexistence, and competition have each characterised different phases of their engagement in South Asia. The balance between these modes has been closely linked to the state of the bilateral relationship itself.

The last critical turning point came after the 2000s, especially with the Belt and Road Initiative (BRI), as China's growing economic weight translated into an **expanding regional footprint**. Through trade, investment, infrastructure financing,

and security arrangements, Beijing established new **instruments of influence** across India's neighborhood. The China-Pakistan Economic Corridor (CPEC) became emblematic of this broader trend, but the pattern extended well beyond Pakistan — into Sri Lanka's ports, Bangladesh's manufacturing ecosystem, and Nepal's infrastructure projects.

The deterioration of bilateral relations, most sharply following the military confrontations in Doklam (2017) and the Galwan Valley (2020), intensified competitive and conflictual dynamics across the region. India and China increasingly found themselves on opposing sides of domestic political contests, competing for contracts and investment opportunities, and advancing rival visions of regional connectivity.

New Delhi, in response, **sharpened** its own regional instruments. Development assistance was scaled up, disaster relief was reframed as strategic statecraft, and India invested in new multilateral architectures, including through Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Information Fusion Centre – Indian Ocean Region (IFC-IOR), while also working closer with the United States, Japan and Australia under the Quad initiative. Beyond the traditional economic driver, the logic driving Indian regional policy became increasingly geopolitical — oriented not merely toward promoting prosperity but toward limiting Chinese influence.

Three opportunities for cooperation

For smaller states in the region, this escalatory spiral created both opportunities and hazards. Governments became adept at extracting financial and other concessions from both powers, through a mix of **hedging** and balancing strategies. But the breakdown in Sino-Indian relations also placed them in the uncomfortable position of being caught between two competing centres of gravity, with diminishing room to manoeuvre.

The tentative normalisation underway raises the question of whether a different regional dynamic is now possible. The timing is significant. South Asia is navigating an unusually dense cluster of structural crises. Political upheaval has reshaped governments in Afghanistan, Myanmar, Nepal, Sri Lanka, and Bangladesh since 2021. Military conflict between India and Pakistan has intensified. Sri Lanka's financial collapse, the most severe in Asia since 1997, exposed the fragility of sovereign balance sheets across the region.

Against this difficult backdrop, the withdrawal of the United States from many of its regional commitments — in development finance, climate assistance, and technical cooperation — has created significant demand for alternatives. Both India and China are positioned to respond to that demand. Whether they do so in parallel, at cross purposes, or through coordinated frameworks will materially affect the region's developmental and security prospects. A realistic assessment of where Sino-Indian coordination could gain

traction suggests three areas offer the most immediate promise.

Political stabilisation in Myanmar presents one possible opportunity. Both India and China have substantial economic and security interests in Myanmar's stability: infrastructure investments, connectivity corridors, and border security are all at risk from the ongoing civil conflict. Both countries have also been affected by the proliferation of criminal networks operating from ungoverned spaces along the Myanmar border, including large-scale scam centres that have ensnared thousands of Chinese and Indian citizens. The convergence of interests might be sufficient to support discreet policy dialogue between New Delhi and Beijing aimed at incentivising the Myanmar military to advance the peace process and meaningful reform.

Climate and clean energy transitions offer a second domain. South Asia's climate vulnerability is severe, and the Himalayan ecosystems — the so-called "Third Pole" — are central to regional water security. Since the 1990s, India and China established habits of **technical consultation and cooperation** on river monitoring, ecological research, and natural resource management in the Himalayan zone.

Some of these could now be revived across the region. Concerns among South Asian governments about being caught in the decoupling of Indian and Chinese clean energy supply chains create additional incentive for coordination. A concrete near-term goal would be to develop frameworks for grid connectivity linking South and Southeast Asia, which would require both powers to engage constructively with smaller regional economies on shared infrastructure. In the long run, the achievement of South Asia's net zero horizons will hinge on **calibrated India-China engagements on climate policies**.

Finally, connectivity corridors represent the third and most structurally important opportunity. South Asia is among the world's least economically integrated regions, with a large unmet financing gap in cross-border transport and energy infrastructure. India's decision to remain outside the BRI has complicated cooperation on regional connectivity for over a decade. Bilateral normalisation may create space for a selective course correction, beginning with two corridors where both sides have historically expressed interest: trans-Himalayan linkages through Nepal, and the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor.

None of these opportunities will be realised without top-level direction and political willingness to manage competing sensitivities on both sides. Normalisation between India and China remains tentative. The regional dimension will require additional effort. China will need to demonstrate sensitivity to Indian interests across the subcontinent and regulate its behavior accordingly; and India will need to both understand **how China views South Asia**, and accept that China is now a permanent feature of the regional landscape, not a mere temporary intrusion.

This will be hard work, forcing both Beijing and New Delhi to break with habits of thought and practice that decades have entrenched.

Dr Constantino Xavier is a Senior Fellow at the Centre for Social and Economic Progress (CSEP), New Delhi, where he directs the program in Foreign Policy and Security Studies. He is also a non-resident fellow in the Foreign Policy program at the Brookings Institution, in Washington DC, and visiting professor at Ashoka University's Department of International Relations. His research explores how India navigates the geopolitics of a changing regional and global order by balancing national security interests and growing economic interdependence. He holds a Ph.D. in South Asian studies from the Johns Hopkins University, School of Advanced International Studies, an M.Phil. and M.A. in International Politics from Jawaharlal Nehru University, and a B.A. with undergraduate studies at Nova University Lisbon and Sciences Po Paris.

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