



Stable Instability: Understanding The New Normal In India–China Relations

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Abstract

The bilateral relationship between India and China has evolved into a paradoxical condition best described as 'stable instability'—a persistent structural state in which open conflict is avoided yet genuine normalization remains elusive. This paper analyses the systemic drivers, historical antecedents, and contemporary manifestations of this condition. Drawing on power-transition theory, complex interdependence frameworks, and constructivist perspectives on identity and threat perception, the study argues that recurring border friction, asymmetric economic integration, and competing regional orders collectively produce a self-reinforcing equilibrium of managed tension. The paper examines the 2020 Galwan Valley clash as an inflection point that crystallized the new normal, traces subsequent confidence-deficit dynamics, and evaluates the structural constraints that render full strategic rapprochement improbable. It concludes that both states have implicitly accepted the logic of competitive coexistence, and that future stability hinges on institutionalizing crisis-management mechanisms rather than resolving the underlying strategic rivalry.

Keywords: India–China relations; stable instability; border disputes; competitive coexistence; power transition; Galwan Valley; strategic rivalry

1. Introduction

Few bilateral relationships in contemporary international politics generate as much analytical complexity as that between India and China. The two most populous nations on earth share a contested 3,488-kilometre frontier, a colonial-era cartographic legacy that neither government has fully resolved, and an economic relationship that has grown exponentially even as military tensions have escalated dramatically. This paradox—deep interdependence coexisting with unresolved strategic rivalry—defies straightforward categorisation within conventional frameworks of either partnership or adversarial competition.

The concept of 'stable instability,' borrowed from nuclear-deterrence literature and adapted here for conventional bilateral relations, offers a more accurate analytical lens. It captures a condition in which neither side is willing to absorb the costs of full-scale conflict, yet neither possesses the political incentive or strategic confidence to pursue genuine normalisation. The result is a self-sustaining equilibrium of managed friction: periodic crises that are resolved below the threshold of war, recurrent diplomatic engagements that produce procedural outcomes rather than structural change, and an underlying competitive dynamic that is neither decisively managed nor openly acknowledged.

The Galwan Valley clash of June 2020, in which at least twenty Indian soldiers and an unspecified number of Chinese troops perished in hand-to-hand combat along the Line of Actual Control (LAC) in eastern Ladakh, represents the most consequential turning point in bilateral relations since the 1962 Sino-Indian War. More than three years of protracted military standoff, partial disengagement, and stilted diplomatic contact followed, fundamentally altering the strategic calculus on both sides. While partial disengagement was achieved by late 2024 at several friction points, the underlying conditions that generated the confrontation have not been addressed structurally.

This paper argues that stable instability is not merely an empirical description of the current moment but an emergent structural feature of the India–China relationship that will define interactions for the foreseeable future. Section two reviews the theoretical framework. Section three traces the historical roots of the current impasse. Section four analyses the 2020 crisis as an inflection point. Section five examines economic interdependence and its political limits. Section six evaluates the role of third-party actors, particularly the United States, and section seven assesses prospects for managed coexistence.

2. Theoretical Framework: Power Transition, Interdependence, and Constructed Threat

Understanding India–China relations requires triangulating insights from at least three distinct theoretical traditions in international relations: power-transition theory, complex interdependence, and constructivism. No single paradigm is sufficient; together, they illuminate different dimensions of the same phenomenon.

2.1 Power-Transition Theory

Power-transition theory, associated with A.F.K. Organski and elaborated by Ronald Tammen and colleagues, posits that the period during which a rising power approaches parity with an established dominant state is the most conflict-prone phase in international politics (Organski 14; Tammen et al. 6). Applied to the Asia-Pacific context, China has been the archetypal rising challenger to American primacy. However, within the sub-regional context of South Asia, a secondary transition is simultaneously occurring as India's material capabilities—economic output, military expenditure, and technological capacity—are converging toward Chinese levels, albeit from a position of substantial deficit.

This secondary transition generates mutual anxiety. China perceives India's growing strategic partnerships, indigenous military modernisation, and assertive posture in the Indian Ocean Region as indicators of revisionist intent. India reads China's infrastructure construction along the LAC, its expanding presence in Pakistan-occupied Kashmir through the China-Pakistan Economic Corridor (CPEC), and its naval deployments in the Indian Ocean as encirclement strategies. Each side's defensive preparations appear offensive to the other—a security dilemma dynamic that power-transition conditions intensify (Jervis 62).

2.2 Complex Interdependence and Its Limits

Robert Keohane and Joseph Nye's framework of complex interdependence identified multiple channels of transnational contact, the absence of hierarchy among issues, and a reduced role for military force as conditions likely to produce cooperative behaviour among states (Keohane and Nye 24). India–China relations exhibit the first of these conditions—bilateral trade reached approximately 136 billion USD in 2023, with China remaining India's largest trading partner—while manifestly failing the other two.

The asymmetry of this interdependence is analytically crucial. India depends on Chinese imports in critical sectors including electronics, pharmaceuticals (active pharmaceutical ingredients), and industrial machinery to a far greater degree than China relies on Indian exports. This asymmetry transforms interdependence from a conflict-dampening mechanism into a structural vulnerability that China can theoretically exploit as economic statecraft, thereby limiting its pacifying effect (Hirschman 29).

2.3 Constructivist Perspectives on Identity and Threat

Constructivist scholars emphasise that threat perception is not a mechanical function of material capabilities but a socially constructed interpretation shaped by historical memory, elite narratives, and institutional practices (Wendt 396). For both India and China, the bilateral relationship is encrusted with identity-laden historical grievances. The 1962 war—in which Chinese forces routed the Indian Army and occupied significant territory before a unilateral ceasefire—remains a formative wound in the Indian strategic imagination, generating what scholars have termed a 'civilisational insecurity' that material reassurances alone cannot address (Mohan 88).

Conversely, China's official narrative frames India's alignment with Western security structures as a betrayal of the Bandung-era solidarity that underpinned Panchsheel diplomacy and the Non-Aligned Movement. President Xi Jinping's articulation of the 'China Dream' of national rejuvenation requires that China be acknowledged as the pre-eminent power in Asia, a status that a resurgent India implicitly contests. These mutually incompatible identity claims ensure that even material accommodations produce limited normative progress.

3. Historical Roots of the Current Impasse

The structural conditions underlying contemporary India–China tensions are not products of recent strategic calculation alone; they are deeply embedded in the postcolonial history of both states and in the unresolved legacies of British imperial cartography.

3.1 The Boundary Question and Its Unresolved Inheritance

The India–China boundary was never formally delimited by any bilateral treaty. The McMahon Line, drawn at the 1914 Simla Convention and recognised by British India as demarcating the northeastern frontier, was rejected by China as an imposition of colonial power. The western sector, encompassing Aksai Chin, was claimed by India but administered by China following its construction of the Xinjiang-Tibet Highway through the region in the 1950s—a fact India discovered only in 1957. These competing cartographic claims were codified into irreconcilability by the 1962 war, which produced a de facto LAC whose precise coordinates have never been mutually agreed upon (Maxwell 43).

Subsequent diplomatic efforts—including the 1988 Rajiv Gandhi visit that re-established diplomatic normalcy, the 1993 Peace and Tranquility Agreement, the 1996 Confidence Building Measures agreement, and the 2005 Framework for Resolution of the Boundary Question—generated procedural architecture without resolving the underlying territorial dispute. Each agreement acknowledged the problem; none resolved it. The boundary, as a consequence, remains a permanent source of potential friction that requires continuous management and offers perennial opportunities for strategic signalling.

3.2 The Strategic Partnership Era and Its Contradictions

The period between approximately 2003 and 2017 witnessed an attempt to construct a strategic partnership framework that could transcend the boundary dispute. Bilateral trade expanded from approximately 200 million USD in 1991 to over 70 billion USD by 2017 (Ministry of Commerce and Industry, India). Leadership summits produced the language of 'Closer Developmental Partnership' (2014) and informal summits at Wuhan (2018) and Mamallapuram (2019) attempted to build personal rapport between Prime Minister Narendra Modi and President Xi Jinping. However, this period simultaneously witnessed increasing Chinese assertiveness along the LAC—the Depsang incursion in 2013, Chumar in 2014, and Doklam in 2017—demonstrating that economic engagement and military pressure were not mutually exclusive instruments in Beijing's India policy.

The Doklam standoff of 2017, in which Indian and Chinese troops confronted each other for seventy-three days over Chinese road construction in territory claimed by Bhutan, foreshadowed the 2020 crisis in both its geographical logic (control of strategic high ground adjacent to the Siliguri Corridor) and its diplomatic resolution (withdrawal without structural change). It also demonstrated that China was

willing to contest Indian security commitments to third parties, thereby extending the competitive dynamic beyond the bilateral boundary.

4. The 2020 Galwan Valley Crisis as Systemic Inflection Point

The events of 15–16 June 2020 in the Galwan River Valley of eastern Ladakh constituted the most violent clash between Indian and Chinese forces since the 1967 Nathu La and Cho La incidents. Unlike previous standoffs, which had been resolved through flag meetings and established protocols, Galwan involved lethal close-quarters combat resulting in confirmed casualties on both sides—the first fatalities along the LAC in forty-five years. The crisis was thus qualitatively different from prior incidents and warrants treatment as a systemic inflection point rather than merely a tactical episode.

4.1 Immediate Causes and Structural Drivers

The proximate cause of the Galwan clash was a dispute over Indian road construction in the Darbuk-Shyok-DBO (DSDBO) corridor, which Chinese forces interpreted as altering the status quo in their disfavour. However, structural drivers were more consequential. China's strategic calculus in early 2020 reflected several converging pressures: the strategic implications of Indian abrogation of Article 370 in Jammu and Kashmir in August 2019, which China interpreted as having potential implications for the Ladakh boundary; India's deepening Quad engagement and defence cooperation with the United States; and a broader post-COVID-19 assertion of Chinese strategic prerogatives across multiple theatres simultaneously—including the South China Sea, Taiwan Strait, and Sino-Indian boundary (Saran 112).

For India, the crisis produced a fundamental reassessment of the 'separation of economics and politics' thesis that had underpinned engagement policy. The Modi government responded with an unprecedented set of economic and diplomatic countermeasures: banning over 250 Chinese mobile applications on national security grounds, restricting Chinese participation in public procurement and infrastructure projects, and launching a comprehensive review of Chinese foreign direct investment under the Foreign Exchange Management Act (Press Information Bureau, India 2020).

4.2 The Disengagement Process and Its Limits

Between late 2020 and October 2024, India and China conducted fourteen rounds of Corps Commander-level military talks, culminating in partial disengagement at friction points including Galwan, Hot Springs/Gogra, and eventually Depsang and Demchok. The October 2024 patrolling agreement, announced ahead of the BRICS summit in Kazan, was presented diplomatically as a significant de-escalation step. Prime Minister Modi and President Xi met on the sidelines of the summit—their first formal bilateral meeting since Mamallapuram five years earlier.

However, disengagement at specific friction points must be analytically distinguished from restoration of the pre-April 2020 status quo across the LAC. Satellite imagery analysis and statements from Indian military officials confirmed that Chinese forward positions, infrastructure construction, and troop deployments in the broader area had been substantially consolidated during the standoff period. The partial disengagement thus represented a negotiated reduction of immediate tension without reversing structural gains that China had secured through its initial assertiveness—a pattern consistent with what analysts have termed 'salami slicing' tactics (Brewster 76).

5. Economic Interdependence in an Era of Strategic Mistrust

One of the most analytically challenging dimensions of India–China relations is the sustained expansion of bilateral trade and economic linkages even as political and military relations have deteriorated. This decoupling of economic and strategic logics challenges both liberal interdependence theory and realist assumptions about the fungibility of economic power.

Bilateral trade between India and China reached approximately USD 136 billion in the financial year 2023–24, with the bilateral deficit—consistently unfavourable to India—exceeding USD 85 billion (Department of Commerce, India 2024). India's import dependence on Chinese goods spans strategically sensitive sectors: approximately 70 percent of India's active pharmaceutical ingredient (API) requirements

are sourced from China; Chinese firms remain deeply embedded in India's telecommunications supply chains despite regulatory restrictions on Huawei and ZTE; and Chinese components constitute a significant share of India's renewable energy manufacturing base, particularly in solar photovoltaic panels.

Post-Galwan policy measures have sought to reduce this structural dependence through several instruments. The Production Linked Incentive (PLI) scheme, introduced across fourteen manufacturing sectors between 2020 and 2022, explicitly targeted import substitution in sectors including mobile electronics, pharmaceuticals, and specialty chemicals. The government's China-directed FDI restrictions—requiring prior government approval for investments from nations sharing a land border with India—have reduced Chinese direct investment flows, though supply chain dependencies have proven more durable than investment flows.

The sustainability of economic engagement under conditions of strategic rivalry has been theorised as 'competitive coexistence' in Chinese foreign policy discourse and as 'calibrated engagement' in Indian strategic commentary (Jaishankar 156). Both framings acknowledge that full decoupling is economically prohibitive given existing supply-chain integration, while asserting that the terms of engagement must be rebalanced to reduce vulnerability. This pragmatic calculation—sustaining economic transactions while managing strategic competition—is a defining feature of the new normal and distinguishes it from simple adversarialism.

6. Third-Party Dynamics: The United States, Quad, and Regional Triangulation

No analysis of India–China relations is complete without accounting for the role of third parties, particularly the United States and the broader Indo-Pacific strategic architecture that has crystallised around American alliance management and Chinese strategic assertiveness.

The Quadrilateral Security Dialogue (Quad), comprising India, the United States, Japan, and Australia, was revived at summit level in March 2021 following years of dormancy. Its stated focus on vaccine distribution, climate change, and supply-chain resilience positioned it as a values-based grouping rather than a formal alliance. Nevertheless, its strategic subtext—balancing Chinese power in the Indo-Pacific—is not lost on Beijing, which has characterised the Quad as an 'Asian NATO' aimed at containing China. For India, Quad membership represents a strategic hedge: deepening security partnerships with like-minded democracies while maintaining formal non-alignment and sovereign autonomy over foreign policy decisions (Rajagopalan 44).

India's bilateral defence relationship with the United States has been transformed over the past decade through a series of foundational agreements: the Logistics Exchange Memorandum of Agreement (LEMOA, 2016), the Communications Compatibility and Security Agreement (COMCASA, 2018), and the Basic Exchange and Cooperation Agreement for Geo-Spatial Cooperation (BECA, 2020). These agreements, collectively known as the foundational agreements, enable real-time intelligence sharing, logistics interoperability, and access to classified geospatial data—capabilities that directly enhance Indian military effectiveness along the LAC. China's reading of this deepening defence partnership as strategically directed at itself is a significant driver of its own assertiveness along the Himalayan frontier (Pant 203).

The triangular dynamic between India, China, and the United States complicates any bilateral stabilisation effort. India cannot fully normalise relations with China without signalling distance from its American strategic partnerships, which New Delhi is unwilling to do given their military utility. China cannot extend the concessions necessary for genuine normalisation without undermining its own deterrence credibility vis-à-vis India. And the United States has strategic incentives to maintain India as an engaged partner in the Indo-Pacific that are not served by a full India–China rapprochement. The structural logic of this triangle reinforces stable instability by ensuring that third-party dynamics counteract bilateral stabilisation efforts.

7. Towards Managed Coexistence: Prospects and Constraints

Given the structural drivers analysed above, the prospects for transformative improvement in India–China relations within a ten-to-fifteen-year horizon are limited. However, the prevention of escalation to open military conflict and the institutionalisation of more robust crisis-management mechanisms represent achievable and consequential objectives.

7.1 Crisis Management Architecture

The existing crisis management architecture between India and China—comprising the 1993 and 1996 boundary agreements, the 2005 framework, and the hotline established between the two foreign ministers in 2020—proved insufficient to prevent or rapidly resolve the 2020 standoff. The LAC remains undelimited, and the absence of a mutually agreed boundary line means that normal patrolling activities carry the permanent risk of escalation. Strengthening crisis management requires, at minimum, establishing a standing bilateral military commission with authority to resolve friction-point disputes in real time, and mutual commitments to halt further infrastructure construction in disputed areas pending boundary negotiations (Kaura 88).

7.2 Economic Rebalancing Without Decoupling

Complete economic decoupling from China is neither feasible nor desirable for India given the magnitude of existing supply-chain integration. However, reducing asymmetric vulnerabilities—particularly in pharmaceuticals, critical minerals, and renewable energy components—is a legitimate and achievable policy objective. India's strategic investment in domestic manufacturing capacity, regional supply chain diversification through partnerships with Japan, South Korea, and ASEAN economies, and its emerging role in semiconductor and electronics value chains collectively serve both economic development and strategic autonomy objectives without requiring a total rupture of bilateral commerce.

7.3 Diplomatic Institutionalisation

The post-2020 period has demonstrated the inadequacy of summit-dependent diplomacy in managing a relationship as complex and friction-prone as India–China. The restoration of ambassadorial-level engagement (the position of Indian Ambassador to China remained vacant for over a year during the standoff period) and the establishment of sustained working-level dialogue mechanisms across military, diplomatic, and economic tracks is essential to preventing tactical incidents from escalating into strategic crises. The October 2024 resumption of direct bilateral communication represents a necessary but insufficient step in this direction.

8. Conclusion

This paper has argued that stable instability represents the emergent structural condition of India–China relations—a self-reinforcing equilibrium produced by the intersection of unresolved territorial disputes, asymmetric economic interdependence, competing regional visions, and a deteriorating confidence architecture. The 2020 Galwan Valley crisis served as the decisive inflection point that crystallised this new normal, accelerating India's strategic recalibration while confirming China's willingness to use military pressure as a tool of political signalling.

The theoretical frameworks deployed here converge on a shared diagnosis. Power-transition dynamics generate mutual anxiety as India's capabilities approach the threshold of regional peer competition. Complex interdependence theory explains why full decoupling remains impractical even as strategic mistrust deepens. Constructivist analysis reveals that identity-level incompatibilities ensure that material accommodations produce limited normative progress. Together, these frameworks point toward a trajectory of competitive coexistence managed below the threshold of war rather than genuine strategic reconciliation.

This analysis yields several policy implications. First, both governments should invest in institutionalising crisis management mechanisms that operate independently of the political climate rather than relying on summit-level interventions that are hostage to broader strategic conditions. Second, India's

economic diversification strategy should be understood not as hostile economic nationalism but as a necessary hedge against supply-chain vulnerabilities that any prudent state would seek to reduce. Third, the India–China–United States triangular dynamic requires managed ambiguity from New Delhi: deepening security partnerships with Washington while maintaining sovereign decision-making autonomy that prevents India from being fully instrumentalised in great-power competition.

The concept of stable instability is, by definition, an uncomfortable equilibrium. It offers neither the clarity of declared adversarialism nor the reassurance of genuine partnership. However, in a nuclear-armed bilateral relationship between two of the world's most populous states, the prevention of escalation is itself a substantial achievement. Understanding the structural logic of stable instability is the first step toward managing it with the sophistication it demands.

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