

The complex geometry of the China-India-Russia triangle

The Shanghai Cooperation Organisation presented an alternative political economic vision for the world, but underlying issues could make concerted progress on trade and financial cooperation harder to achieve

The optics were certainly good. In an orchestrated show of solidarity, the leaders of China, Russia and India shook hands, laughed and stood shoulder to shoulder (literally and metaphorically) against US dominance of the global political and economic order.

The latest summit of the Shanghai Cooperation Organisation (SCO), held in the Chinese city of Tianjin, was perhaps the most successful yet. More than 20 leaders of non-Western countries showed up, including Russia's President Putin and India's Prime Minister Modi. In his keynote address, Chinese President Xi Jinping talked about the need to practise "true multilateralism", a clear swipe at current US trade policy.

The show of unity was certainly in stark contrast to recent mood music out of Washington, which has threatened and imposed import tariffs on long-standing allies and traditional enemies alike. It's probably no coincidence that Modi's all-smiles encounters with Putin and Xi came days after President Trump hiked tariffs on Indian imports to 50% as punishment for buying Russian oil.

But away from well-choreographed set piece events, what did the SCO achieve? Does it help position China and its allies as serious challengers to US-led global leadership, boosting trade and supply chain opportunities? Or did the genial atmosphere and polished PR disguise serious fault lines in a coalition of convenience, creating risks for business? The truth lies somewhere between the two.





Unity in the face of Trump 2.0

If successful alliances need something to ally against, President Trump provided the perfect villain for SCO attendees.

“President Trump’s tariffs on India and China and general unpredictability in trade policy create uncertainty,” says Bert Burger, economist at Atradius. “In response, China, India, and Russia used the SCO to demonstrate commitment to financial integration, trade diversification and cooperation. This was a show of stability in contrast to U.S. volatility.”

China clearly sees President Trump’s unpredictable tariff policy as an opportunity to draw countries into its orbit. India, meanwhile, is smarting from Washington’s latest tariff announcement, while musing over the difference a month can make. In July, Delhi may have had hopes of being one of the biggest beneficiaries of high US import tariffs on Chinese goods, especially in areas like textiles and apparel. With an effective tariff rate of 36% now in place on Indian imports, those hopes have been shattered.

“Persuading multinationals to shift some of their factories to India from China is now far more difficult,” says Bart Poublon, Director of Risk Services for Asia and Oceania. “If India gets stuck with tariffs that are higher than those imposed on China’s other competitors, such as Vietnam or Bangladesh, hopes of being an alternative base to China are futile. Even if all the tariffs go away, the idea that India can offer factories shelter from shifting geopolitical tensions has been severely hit.”

India’s high-profile attendance at the SCO feels partly like a rebuke to Washington. Russia, sanctioned by the US and Europe and selling most of its oil to China and India, has its own reason for forging closer ties with the non-Western world. Pakistan, another attendee, is reliant on China for military hardware.





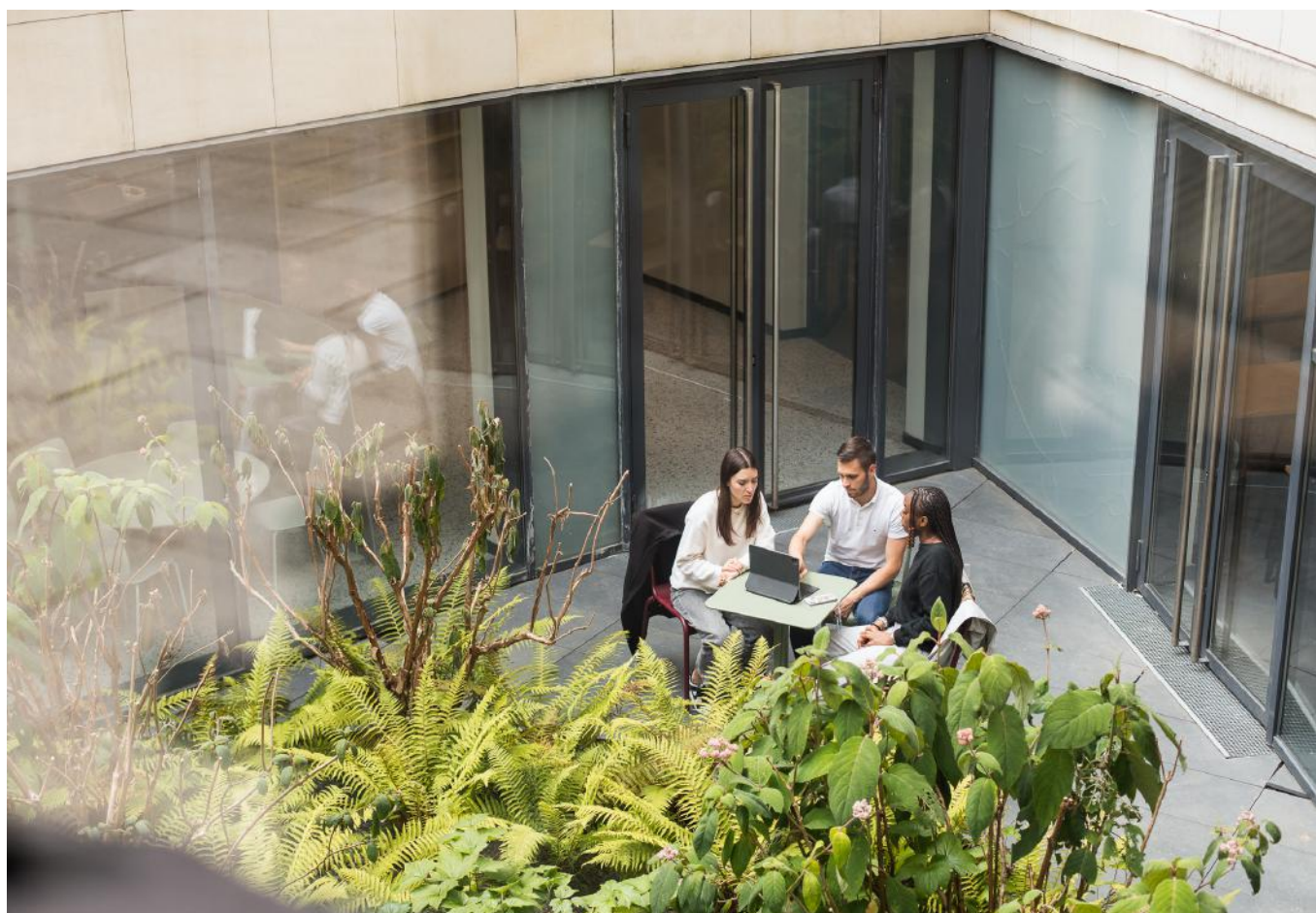
Beyond the symbolic, gains were modest

The appearance of steadfast anti-US unity was perhaps the most important outcome for the SCO, and it was duly achieved. However, there were also more concrete gains, particularly for the relationship between China and India.

“After years of tension, both countries have recently agreed to resume direct flights, reopen border trade routes and establish a joint expert group to begin resolving their long-standing border disputes,” says Christian Bürger, senior editor at Atradius. “They also committed to easing visa processes and promoting cultural and economic exchanges. In a symbolic gesture, the leaders met in person and affirmed that India and China should be seen as development partners rather than geopolitical rivals.”

Economically, renewed cooperation could unlock trade opportunities and joint infrastructure projects. Collaboration over technology and climate change might also be strengthened. India already relies on China for essential inputs into key industries - Indian pharmaceutical companies rely on China for some 70% of precursor chemicals, for example - and supply chains could be streamlined. In addition, India could benefit from flows of Chinese money and know-how as it develops its own advanced manufacturing capacity.

“For its part, China sees India as the only major market for Chinese consumer goods that can currently grow,” says Bert Burger. “While India needs China’s critical minerals, factory machinery and personnel, China is looking to India’s massive consumer market, especially given the new trade barriers with the West.”



Fundamental tensions remain

But aside from this partial detente, the summit’s practical outcomes were modest. China committed UDS1.4bn to an SCO banking consortium, and both

China and Russia called for the development of an SCO development bank to undermine US influence and the primacy of the dollar.

Small steps were perhaps the most that could be hoped for. Despite the outward show of friendship, India and China remain a long way apart on a number of fundamental issues, and neither Asian giant wants to be drawn into Russia's war in Ukraine.

"The historic border dispute between India and China, especially in regions like Ladakh and Arunachal Pradesh, is far from resolved," says Christian Bürger. "Beijing's close ties with Islamabad also continue to be a source of concern for India, in particular after the latest armed conflict with Pakistan in May. Mutual trust between China and India is still fragile after the border clashes in 2020 and years of diplomatic friction."

The countries also have contrasting strategic visions, and Delhi remains suspicious of Beijing's attempts to position itself as the leader of the non-Western world. The balance of trade between the two countries heavily favours China, which India regards as a chink in its economic armour. In 2023, nearly 10% of components for Indian industry originated in China, compared to just over 1% in 2017. India wants to diversify its trade relationships and has signed off half a dozen trade deals, including one with the UK, since 2021.

"India is far less keen on an anti-US or anti-Western stance," says Bert Burger. "Within the BRICS group, India has been lukewarm at best towards Chinese and Russian efforts to build-up a trading bloc directed against Western economic and financial dominance. Delhi's pivot away from the US may be more symbolic than actual. India is keen to pursue its national interests and non-alignment, avoiding subservience to any single power."



Uncertainty adds trade risk

The thaw in relations between China and India is likely to continue for the time being, manifesting in cultural exchanges, technical cooperation and incremental progress on border negotiations. It may open significant trading opportunities between the two nations, and with the broader SCO. The

question is whether warmer relations can overcome deep-rooted rivalry and suspicion in the longer term.

“The problem for business is that the situation creates uncertainty and that increases risk,” says Bart Poublon. “Will the rapprochement between India and China last, creating economic opportunity, or fall apart over strategic differences or border tensions? It’s perfectly possible that Trump’s tariffs on India could be dropped in future or at least significantly reduced, giving Delhi economic advantage in the region and, with it, a more pro-US outlook. All this could prompt abrupt policy shifts which businesses need to be prepared for.”

What is clear for now is that, while the current united front is politically and economically shrewd, China, India and Russia have differing reasons for promoting solidarity in the face of US volatility, and internal tensions may not stay hidden for long. The SCO in Tianjin was a PR coup for China, and some concrete progress was made. But whether the summit can deliver on its wider economic promise remains to be seen.

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