

BRIEF

INDIA'S STRATEGIC
RECALIBRATIONMANAGING US VOLATILITY AND
CHINA'S OPPORTUNISM

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Donald Trump's return to the White House is forcing India to rethink several assumptions about its external environment. For decades, bilateral relations were impacted by both India's non-aligned foreign policy and the US's Cold War alliances. The early 2000s marked a turning point when Washington began to develop a clearer framework, equipping India with capabilities that could be used as a counterbalance to China's growing influence. India, in turn, has increasingly built its strategy around a stable and deepening partnership with the US.

However, Trump's tariffs, lack of progress in Quad (India, Australia, Japan, and the US) initiatives, and ambiguous signals on Pakistan have made the existing approach untenable. In response, India has lowered its immediate exposure by reopening limited diplomatic channels with China, highlighting that New Delhi prefers strategic hedging. These actions undermine assumptions in both Europe and the US about India's reliability as a consistent counterweight to China.

THE TRUMP SHOCK

The 2025 US National Security Strategy specifically called for bolstering commercial and security ties with India, and for "continued quadrilateral cooperation" to uphold a free and open Indo-Pacific. Yet Washington's trade threats and transactional framing of partnership under Trump have translated into early actions that have altered key elements of India's strategic environment.¹

The most consequential measures were the 50% tariffs announced in August 2025, consisting of a 25% reciprocal tariff and a 25% penalty linked to India's purchases of Russian oil. This pressure has heightened costs for Indian exporters and reinforced exposure to US trade leverage. Rather than retaliating, New Delhi filed a WTO challenge, reflecting both limited room for escalation and a deliberate effort to contain the dispute through legal channels rather than risk a broader confrontation. India remains heavily reliant on Chinese intermediate inputs, accounting for roughly 40% of electronics and around 70% of pharmaceutical ingredients.² Escalating trade tensions with the US would, therefore, compound existing supply-chain vulnerabilities at a moment when diversification efforts remain incomplete.

The uncertainty surrounding the future of the Quad has led New Delhi to reassess Washington's reliability

The uncertainty surrounding the future of the Quad has led New Delhi to reassess Washington's reliability. Ministerial meetings have persisted, but the group's political momentum has waned.³ Under the second Trump administration, the implementation of new initiatives has slowed, most visibly in the delayed critical-minerals partnership. The deterioration, following the tariffs and Washington's handling of the India-Pakistan crisis, has made it more difficult to sustain the high-level coordination on which the Quad depends.⁴ Plans for the leaders' summit remain uncertain, although they normally occur at least once a year, with the last summit held in 2024

and India due to host the next. In April 2025, Trump indicated he no longer planned to travel to India for the gathering.⁵ As India views the Quad as a reliable anchor for the US' commitment to stability in Asia, this adds to questions about Washington's long-term regional strategy.⁶ India's concerns are strengthened by the discrepancy between declared ambition and actual implementation.

Trump's sudden declaration in May 2025 that he had negotiated a ceasefire between India and Pakistan exacerbated an already strained relationship. It violated one of India's most important diplomatic tenets: that New Delhi will not allow any third party to mediate its disputes with Islamabad, specifically when it comes to national security.⁷ Thus, Trump's statement came across as a red flag, drawing back on past examples of impromptu diplomacy during his first term. This time, however, the comments were woven in the context of Russia's war in Ukraine, India's energy constraints, and US policy shifts in Europe and Asia. As a result, New Delhi was even more sensitive to perceived unpredictability.

Collectively, these moves have created one of the most difficult periods in US-India relations in over a decade, prompting New Delhi to ponder the stress it could endure along its borders and to its economy.

STABILISING THE CHINA FRONT

New Delhi knows it cannot deal with a strained relationship with Washington and a tense 3 488-kilometre frontier with China at the same time, so it has reverted to a familiar 'non-alignment logic' aimed at preserving strategic flexibility when major partnerships become unstable. In that sense, New Delhi's actions are in line with a long history of hedging within the US-China-USSR triangle: following its 1962 conflict with Beijing, it grew closer to Moscow; after 2005, it strengthened ties with Washington; and whenever US support seemed uncertain, it periodically reduced tensions with Beijing.⁸ Therefore, the current adjustment represents continuity rather than departure.

China's military posture along the disputed border continues to impose binding constraints on India's strategic choices. The Line of Actual Control (LAC) remains India's most serious, enduring security challenge. Although there was a disengagement by both sides around the contested spots at Depsang and Demchok in December 2024, up to 25 000 People's Liberation Army (PLA) troops continue to be forward-deployed along the LAC.⁹ China has also been building out military infrastructure on the Tibetan Plateau: upgrading major highways, extending rail links to Nyingchi, expanding airfields in Shigatse and Ngari, and constructing new heliports near the Indian border.¹⁰ The 2025 Victory Day parade in Beijing further solidified India's perception of a widening capability gap in hypersonic missiles between the two nations.¹¹ Consequently, if India were to experience any further deterioration in relations with the US, it would be left vulnerable and without a strong ally.

This combination of military pressure and economic fragility helps explain New Delhi's measured diplomatic overtures toward Beijing.

New Delhi's aim is simply to maintain short-term stability with Beijing while it manages uncertainty with Washington

Modi's attendance at the SCO summit in Tianjin, followed by the restart of Special Representative-level border talks, indicated a willingness to keep lines of communication open.¹² Much of this outreach had been planned in advance as part of an effort to stabilise ties after a relatively calm year at the border, rather than a reactive pivot triggered by Trump's tariffs. China's agreement to restore visas and direct flights, reopen the Kailash Mansarovar pilgrimage, and hint at selective easing of investment restrictions amounted to a few minor concessions without addressing the core disputes.¹³ These efforts reduce friction and provide New Delhi with breathing room while it reassesses the trajectory of US policy. But neither side is willing to make a substantive concession on the border dispute, which makes any genuine warming structurally limited.

There is no indication that any of these developments suggest a move toward alignment. India has not changed its positions on Taiwan or the South China Sea, and the joint naval exercise with the Philippines in August 2025 reaffirmed its opposition to China's maritime coercion.¹⁴ New Delhi's aim is simply to maintain short-term stability with Beijing while it manages uncertainty with Washington.

CHINA'S MOMENT OF OPPORTUNITY

Beijing has taken advantage of the turbulence in US-India relations to ease tensions with New Delhi and slow the consolidation of US-aligned partnerships in the Indo-Pacific. Since early 2025, China's messaging towards India has highlighted Washington's "unpredictability" and "self-interested coercion."¹⁵ This rhetoric is intended to reduce the level of trust between the US and India at a time when Beijing faces multiple challenges in the Western Pacific and a declining domestic economic performance.

China has framed Trump's tariff shock and ceasefire claims as evidence that India cannot rely on American commitments. Articles in state-run media have portrayed the tariffs as examples of the US' strategic alliances being transactional and reversible, while positioning Beijing as the steady neighbour willing to restore stability if India reciprocates.¹⁶

China offers symbolic gestures of engagement while maintaining steady coercive pressure

China's diplomatic efforts have aimed at reopening communication pathways with India. High-level meetings in 2025 were labelled as constructive, with Beijing reviving dormant dialogue and proposing modest measures to reduce economic tensions.¹⁷ To soften the geopolitical temperature, both governments described each other as "partners, not rivals" and agreed that their relationship should not be viewed through a third-country lens.¹⁸ It reflects a conscious attempt to keep channels open and foster a more predictable environment, even as widespread strategic mistrust persists.

Parallel to this outreach, China has maintained (and, in some cases, expanded) its pressure on India's periphery. Chinese intelligence assistance to Pakistan's military during the May 2025 flare-up, reports of expanded maritime access in the Maldives, and continued investment in Sri Lanka reinforce Beijing's intent to shape India's regional constraints even while stabilising the bilateral front.¹⁹ The Yuan-class submarine deal with Pakistan further demonstrates that China's military cooperation with Islamabad remains unchanged.²⁰

China's approach is two-tracked: it offers symbolic gestures of engagement while maintaining steady coercive pressure. The aim is to keep India unsure of US reliability and wary of pushing tensions with China too far. Although these recent openings have created space for short-term communication, currently, there is no evidence that China has changed its overall objective of limiting India's growth.

IMPLICATIONS FOR THE INDO-PACIFIC AND EUROPE

A growing distrust between the US and India introduces increased risk to the already complex Indo-Pacific security dynamics. Washington's recent actions have complicated the assumption that India and the US will steadily deepen strategic alignment. Consequently, China receives a minor reduction in diplomatic tension with India while maintaining high levels of military pressure along the Himalayan border and in the Indian Ocean.

This uncertain time has created a modest opportunity for Europe. India needs partnerships that can offer predictability and supply chain diversification without exacerbating strategic vulnerabilities. European Commission President's visit to New Delhi in February 2025 demonstrated Brussels' intent to improve ties: both parties decided to strengthen cooperation on semiconductors and critical minerals, resume stalled free trade agreement talks, and expedite work under the EU-India Trade and Technology Council.²¹ As a result, Europe is increasingly positioning itself as a steadier and more technologically capable partner at a moment when US policy appears volatile. In contrast to enhanced coercive

economic measures from Washington and the primary regional security threat from Beijing, the EU may have the best chance to support Indian interests. Key areas of potential engagement include digital standards, critical technologies, green infrastructure, and resilient supply chains. Such cooperation would allow India to diversify and reduce dependence on Chinese electronic and critical-technology inputs, without locking itself into a single strategic bloc. This would also enable the EU to advance its de-risking agenda, secure alternative production bases, and reinforce its role as a standards-setting power in emerging technologies.

Estonia's competences in e-governance and digital resilience are relevant to India's

regulatory issues. The Foreign Ministry's India Export Day, which brought together companies to discuss market access and business cooperation and presented Team Estonia's India strategy for 2025–26, is one example.²² Although no agreements were publicly announced, the event contributed to building commercial pipelines and signalling long-term commitment, particularly important in the Indian market. Exchange of technical information, joint research projects, and policy discussions could allow Estonia to provide meaningful support to an integrated European strategy, while making clear that the political sustainability depends on how New Delhi positions itself on issues existential to Europe, including Russia's war in Ukraine.

ENDNOTES

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