

US-CHINA STRATEGIC COMPETITION ECONOMIC POWER & GLOBAL TRUST

A Comprehensive UPSC CSE & APSC Module

GS Paper 2 (IR) | GS Paper 3 (Economy) | GS Paper 1 (World History) | Essay | Ethics

Integrated with NCERT | PYQ Bank | APSC Northeast Lens | Model Answers

1. Key Terms and Explanations

Understanding the core vocabulary is the first step toward mastering this issue for both Prelims and Mains. Each term below carries distinct analytical weight and appears repeatedly in UPSC questions.

- ▶ **Geopolitical Competition:** The rivalry between nation-states for influence, resources, markets, and strategic dominance at the regional or global level. In the current context, this is most visibly playing out between the United States and China across economic, military, technological, and diplomatic domains simultaneously.
- ▶ **Economic Derivative Dependency:** The condition where one economy's health is structurally tied to the performance of another. China's export-driven growth model — where a significant portion of its GDP flows from selling goods to Western markets — makes it dependent on sustained Western consumer demand. If Western economies contract, Chinese export revenues fall, creating a cascading effect on employment, investment, and domestic stability within China.
- ▶ **Hegemony:** The dominant leadership or preponderant influence of one state over others. It can be hard hegemony (military and economic coercion) or soft hegemony (cultural attraction, normative leadership, institutional power). The US has exercised both forms since 1945, building a rules-based international order around its preferences.
- ▶ **Strategic Trust Deficit:** The absence of reliable, predictable, and norm-based behaviour between states that prevents meaningful long-term cooperation. Different from mere diplomatic friction — it is a structural gap rooted in political culture, historical behaviour, and systemic suspicion. China's trust deficit is widely documented.
- ▶ **Patron-Client Relationship (Economic):** An asymmetric dependency where one actor (the patron) provides markets, capital, or resources, and the other (the client) provides goods, services, or strategic alignment. Applied to US-China trade, America's consumer market is the patron and China's manufacturing base is the client — an asymmetry that defines the power relationship.
- ▶ **Zero-Sum Thinking:** A strategic worldview where any gain by one party necessarily implies a corresponding loss by another. It contrasts with positive-sum or cooperative frameworks where mutual benefit is possible. China's approach in territorial disputes, technology competition, and supply chains has often been characterised by this framework, generating distrust globally.
- ▶ **Imperial Overstretch:** The historical tendency of great powers to exhaust their economic and military resources through excessive commitments abroad, ultimately leading to relative decline. Theorised by Paul Kennedy, this concept is directly applicable to both American vulnerabilities and China's ambitions.
- ▶ **GDP Measurement Controversies:** Methodological debates around how national income is counted, including double-counting, shadow economies, purchasing power parity versus market exchange rates, and data reliability. These debates significantly affect how we compare Chinese and American economic size — and whether China's statistical claims are credible.
- ▶ **Liberal Internationalism:** A foreign policy philosophy emphasising rules-based international order, multilateral institutions, free trade, democratic governance, and cooperative diplomacy. The United States largely built the post-1945 world around these principles — and its credibility as a global leader depends on adhering to them.
- ▶ **Exorbitant Privilege:** The structural advantage the United States enjoys by virtue of the US dollar being the world's reserve currency. America can run persistent fiscal deficits because global demand for dollar-denominated assets finances them. This is arguably Washington's greatest single economic weapon in competition with China.

2. Main Arguments and Substantive Parts

Core Thesis: The structural balance of economic power continues to favour the Western bloc — specifically the US and EU — over China. China's rise is deeply contingent on Western markets, Western trust, and Western institutional frameworks. Once any of these three pillars weakens, China's ascent hits a structural ceiling.

The Money Argument — Fiscal Exhaustion as the Mechanism of Decline

Empires and great powers do not collapse because their leaders make blunders in isolation — they collapse when they run out of financial resources. History validates this relentlessly:

- ▶ The British Empire survived multiple geopolitical shocks and two World Wars but ultimately succumbed to fiscal exhaustion, handing over strategic leadership to the United States.
- ▶ The Soviet Union collapsed not because of military defeat or ideological failure alone — it ran out of money. The 1991 collapse was preceded by years of unsustainable military spending that the command economy could not sustain.
- ▶ The French and Spanish empires followed similar trajectories — great military ambition, fiscal overextension, and eventual contraction.
- ▶ The implication is stark: whoever runs out of money first loses the competition. This is not a metaphor — it is historical mechanism.

The Derivative Economy Argument

- ▶ China's economy is not self-sufficient in the demand sense. It produces goods consumed primarily in Western markets. America and Europe generate the final demand that keeps Chinese factories running at capacity.
- ▶ If the Western consumer weakens — through recession, deglobalisation, or deliberate decoupling — Chinese export earnings shrink, employment falls, and social stability in China is directly threatened.
- ▶ This is an asymmetric vulnerability: China needs the West far more than the West needs China. The patron-client dynamic makes Chinese strategic assertiveness ultimately self-limiting.
- ▶ The comparison to a car running out of petrol is instructive — the vehicle may look powerful and intact, but without the fuel (Western demand), it stops. The same logic applies to China's economy.

The GDP Size Argument

Economy	GDP (approx.)
United States	~\$30 Trillion
European Union	~\$22 Trillion
US + EU Combined	~\$52 Trillion
China	~\$20 Trillion
US+EU vs China Ratio	~2.5 times larger
India (for reference)	~\$3.7 Trillion

- ▶ Beyond raw size, serious methodological questions surround Chinese GDP reporting — state-controlled statistical systems create incentives for overstating growth figures.

- ▶ The Soviet precedent is instructive: Western intelligence agencies systematically overestimated Soviet economic capacity for decades. The USSR collapsed far faster than anyone predicted once the data was corrected against reality.
- ▶ PPP comparisons that show China favourably often conflate non-tradable services with strategic economic power — a methodological sleight of hand that inflates China's apparent advantage.

The Trust Argument — The Foundational Currency of International Relations

- ▶ Trust is not built through declarations or state-controlled media — it is built through consistent, predictable, norm-conforming behaviour across decades of interaction.
- ▶ The United States, despite its flaws and despite temporary disruptions like Trumpian unilateralism, has a vast reservoir of institutional trust built since 1945 through the IMF, World Bank, WTO, NATO, and the liberal trading order.
- ▶ China's trust deficit is empirically documented: it has reportedly failed to deliver on approximately 75% of commitments made to other countries since 1950 — a track record that no amount of diplomatic rhetoric can easily overcome.
- ▶ Nations must sign treaties with institutions, not individuals. China's guanxi-based (personal relationship-based) cultural model of trust creation is structurally inadequate for multilateral statecraft.
- ▶ Even during periods of maximum American political dysfunction, global capital flows back to US-denominated assets — a market-based verdict on institutional trust that speaks louder than any geopolitical claim.

Counterarguments the Thesis Must Engage

- ▶ China's Belt and Road Initiative has created real infrastructure dependencies across Asia, Africa, and Europe — debt relationships that translate into strategic leverage regardless of trust levels.
- ▶ Supply chain diversification away from China, while underway, will take a decade or more. Until decoupling is complete, China retains significant structural economic power.
- ▶ Technological leadership in 5G, AI chips, quantum computing, rare earth processing, and green energy manufacturing gives China leverage that pure GDP comparisons cannot capture.
- ▶ The Global South's ambivalence toward both American and Chinese hegemony suggests that 'Western trustworthiness' is not universally accepted — historical memories of colonialism, structural adjustment conditionalities, and interventionism complicate the narrative.

3. Historical Evolution of the Issue

The present US-China competition did not emerge suddenly — it is the product of nearly a century of strategic positioning, economic integration, mutual dependency, and diverging ambitions. Understanding this timeline is essential for UPSC questions on world history and international relations.

Pre-1945	China was semi-colonised and geopolitically marginal. The US was an emerging industrial power, relatively isolationist but increasingly present in Pacific affairs. European colonial empires defined the world order.
1945–1949	The US emerged from WWII holding ~70% of the world's gold. The Bretton Woods institutions — IMF, World Bank, GATT — were American-designed frameworks. The dollar became the global reserve currency. China was consumed in civil war.
1949–1953	Mao Zedong's Communist Revolution placed China outside the American-led liberal order. The Korean War (1950–53) entrenched mutual hostility. China aligned with Soviet-style socialism, with predictably poor economic results.
1953–1971	China's Great Leap Forward (1958–62) and Cultural Revolution (1966–76) devastated its economy. While the US consolidated its global architecture, China consumed itself in ideological self-destruction — losing two critical decades.
1971–1978	Nixon's 1971 visit to China and normalisation represented a geopolitical masterstroke — using China to pressure the Soviet Union. China's entry into the UNSC in 1971 marked its re-entry into global institutional life. Stage set for Deng's reforms.
1978–2001	Deng Xiaoping's market reforms launched China's integration into the global economy. Special Economic Zones, FDI liberalisation, and export-oriented manufacturing created the 'China miracle.' This growth was powered entirely by access to Western markets — confirming derivative dependency.
2001	China's WTO accession was a watershed moment. It gave China preferential market access but also integrated it into a rules-based order it now seeks to revise. The US hoped WTO membership would liberalise China politically — a hope that proved strategically naive.
2008–2012	The Global Financial Crisis temporarily reduced American prestige and emboldened Chinese confidence. China's \$4 trillion stimulus stabilised its economy and launched a decade of aggressive external expansion — BRI, AIIB, South China Sea militarisation.
2012–Present	Xi Jinping's consolidation of power marked a decisive strategic turn. Unlike Deng's 'hide and bide' strategy, Xi openly articulated the Chinese Dream and the goal of displacing the US by 2049. The mask of strategic patience was removed.
2017–2021	Trump's trade war disrupted the trade architecture but weakened American institutional credibility simultaneously. Beijing exploited this window to deepen BRI partnerships and increase influence in multilateral institutions — WHO, UNESCO, ITU.
2020–Present	COVID-19 accelerated supply chain resilience debates. US CHIPS Act, IPEF, Quad elevation, European strategic autonomy discussions — all reflect structural efforts to reduce China dependence. Simultaneously, China's property crisis, youth unemployment, and demographic decline reveal limits of its model.

4. Logical and Philosophical Base

The arguments on US-China competition are not merely empirical — they rest on deep philosophical and theoretical foundations that UPSC aspirants must master for GS Paper 2 and Ethics answers.

- ▶ **Realist Foundation (Hans Morgenthau, Thucydides):** The argument that power reduces ultimately to material capacity — especially fiscal and military resources — is squarely within the Realist tradition. Classical Realism holds that goodwill and trust are secondary to material capability. The assertion that empires collapse from fiscal exhaustion is a fundamentally Realist proposition about the material limits of political ambition.
- ▶ **Kautilyan Arthashastra — Kosh as Foundation of Power:** Kautilya's Arthashastra identifies the treasury (kosh) as the foundation of all state power: 'from the treasury comes the army, from the army comes territory.' Fiscal exhaustion preceding strategic decline resonates directly with this ancient Indian formulation. China's structural fiscal pressures — ageing population, deflating property sector, rising military expenditure — are a Kautilyan diagnosis of strategic vulnerability.
- ▶ **Constructivist Lens on Trust (Alexander Wendt):** The section on trust draws from Constructivist IR theory, which holds that international relations are shaped not only by material power but by ideational factors — identities, norms, beliefs, and intersubjective understanding. Trust is a social fact built through repeated interaction and norm-compliance. China's deficit in this social capital is a Constructivist diagnosis of its strategic limitations.
- ▶ **Tocqueville and Democratic Resilience:** Alexis de Tocqueville observed that democracies, though often inefficient in the short run, have a remarkable capacity for self-correction and renewal. The argument that America's political disruptions are temporary reflects a Tocquevillian faith in democratic self-repair mechanisms — a faith that China's authoritarian system cannot credibly claim.
- ▶ **Foucault — Power-Knowledge and Data:** Foucault's insight that knowledge is never neutral — that it is produced within power relations — is epistemologically crucial to the GDP data controversy. China's state-controlled statistical apparatus produces knowledge that serves power. This is not merely a technical problem but a philosophical one about the reliability of knowledge under conditions of political constraint.
- ▶ **Kant's Categorical Imperative and Moral Philosophy:** The argument that China 'lacks goodwill towards others' is a moral-philosophical claim. Kant's categorical imperative holds that one must act according to maxims that could be universalised. A state pursuing purely zero-sum strategies is ethically deficient and ultimately self-defeating — it generates a world where no state trusts any other, which harms all including the aggressor.
- ▶ **Amartya Sen — Capability Approach:** Sen's argument that development must be measured by expansion of human capabilities — not GDP alone — directly challenges the basis of China's developmental claims. GDP growth that does not translate into freedom, dignity, or political rights is incomplete development — both a philosophical and a policy argument with direct UPSC essay relevance.
- ▶ **Power Transition Theory (A.F.K. Organski):** The most dangerous period in international relations is when a rising power approaches parity with the existing hegemon — the 'Thucydides Trap.' This is precisely the US-China moment. Nineteen of twenty-three such confrontations in history resulted in war. Understanding this theoretical framework is essential for IR questions.

5. New Features and Unique Ideas

Several conceptual innovations in this debate deserve careful attention — they move beyond conventional IR discourse and offer fresh analytical frameworks for UPSC answers.

- ▶ **The Derivative Economy Framework as Analytical Tool:** Framing China's economy as a 'derivative' of the Western economic system is an intellectually productive device. Rather than comparing raw GDP numbers, it asks a more structural question: who generates the final demand? This shifts the analysis from nominal size to functional dependency, revealing a strategic vulnerability that surface statistics obscure. For UPSC aspirants, this framework is transferable — India's IT sector's dependency on US tech demand, for example, can be analysed through the same lens.
- ▶ **Fiscal Exhaustion as the Universal Mechanism of Decline:** While Paul Kennedy's imperial overstretch thesis is well-known, the specific formulation that empires collapse from fiscal exhaustion regardless of political form — democratic or authoritarian — is a useful heuristic. It redirects analytical attention from dramatic political events to the slower, structural story of resource depletion. This has direct relevance for understanding both Chinese vulnerabilities and India's own fiscal management priorities.
- ▶ **Goodwill as a Structural Strategic Variable:** The argument that goodwill — not military power, not economic size alone — is the true differentiator between sustainable and unsustainable hegemony is genuinely novel in its emphasis. Traditional IR theory focuses on capabilities. This introduces cultural disposition and institutional behaviour as strategic variables. It suggests soft power is not merely an instrument of foreign policy but a structural enabler of the patron-client relationships that sustain great power status.
- ▶ **The Soviet Data Analogy Applied to China:** The parallel between overestimated Soviet economic capacity and potentially overestimated Chinese economic capacity is analytically bold. It challenges the dominant narrative of inevitable Chinese supremacy by pointing to a historical precedent where seemingly powerful economies collapsed surprisingly quickly once data problems were corrected against reality. This analogy is powerful in UPSC essay writing.
- ▶ **Feasibility Assessment:** These conceptual frameworks are analytically fertile and pedagogically valuable. Their feasibility as policy frameworks is high — trust-building through consistent norm-compliance directly informs strategies like the US Indo-Pacific strategy, the Quad, and India's own approach of strategic autonomy combined with selective multilateral engagement.

6. Sustainability of the Idea

The long-term viability of Western economic dominance — and of trust-based hegemony as a framework — must be assessed across multiple sustainability dimensions.

- ▶ **Economic Sustainability:** The argument that Western economic dominance is sustainable rests on assumptions about continued technological leadership, institutional resilience, and consumer market depth. These assumptions are not guaranteed. Europe faces demographic decline, energy vulnerability, and political fragmentation. American infrastructure, education systems, and social cohesion face serious stresses. Sustainability requires the West to successfully manage its own internal contradictions — not a foregone conclusion.
- ▶ **Environmental Sustainability:** Climate change introduces a decisive wild card. China has invested massively in renewable energy manufacturing — solar panels, wind turbines, EV batteries — and controls dominant supply chains for these green technologies. If the energy transition accelerates as projected, the West's dependence on Chinese green technology may create a new form of derivative dependency, potentially reversing the current asymmetry in a sector that will define 21st-century economic power.
- ▶ **Constitutional and Legal Sustainability:** The rules-based international order, which underpins Western strategic credibility, requires continuous investment in its legitimacy. US unilateralism during the Iraq War era and withdrawal from multilateral agreements have weakened this legal architecture. For trust-based hegemony to remain valid, Western powers must recommit to international law and multilateral institutions with consistency.
- ▶ **Ethical Sustainability:** A trust-based hegemony argument is ethically sustainable only if the hegemon actually behaves in trustworthy ways consistently. The historical record of American interventionism in Latin America, Southeast Asia, and the Middle East complicates any simple moral contrast between trustworthy America and untrustworthy China. Ethical sustainability requires honest acknowledgment of Western democratic failures alongside Chinese authoritarian ones.
- ▶ **Societal Sustainability:** Domestic social cohesion in both powers faces serious stress. Income inequality, racial tensions, and political polarisation in America; ethnic repression, social credit systems, and demographic imbalances in China — all introduce uncertainties. The society that manages internal contradictions more effectively may ultimately determine which power endures in the long run.

7. Challenges Related to the Issue

Challenges must be understood not merely as obstacles but as structured forces that shape the trajectory of this competition. Categorising them helps in constructing comprehensive Mains answers.

Structural Challenges

- ▶ **Supply Chain Lock-In:** Despite decoupling rhetoric, Western economies remain deeply integrated with Chinese manufacturing across pharmaceuticals, rare earths, electronics, and industrial components. Decoupling is strategically desired but economically painful and will take a decade or more to meaningfully achieve.
- ▶ **Financial Interdependence:** China holds substantial US Treasury bonds. A sudden divestment — though self-damaging for China — could create significant disruption in US bond markets, raising interest rates and destabilising American fiscal management in the short term.
- ▶ **Technological Competition:** China's advances in 5G (Huawei), AI, quantum computing, and military technology cannot be dismissed by aggregate GDP comparisons. Technological leadership may not simply follow economic size, as innovation ecosystems are non-linear and China has invested strategically in critical sectors.
- ▶ **Green Technology Dominance:** China controls over 80% of global solar panel production, 60%+ of lithium battery manufacturing, and dominates rare earth processing. These are not peripheral industries — they are the infrastructure of the future low-carbon economy.

Implementation Challenges

- ▶ **Western Alliance Management:** Maintaining unity between the US and EU requires managing divergent economic interests. Europe's trade dependence on China — Germany's auto industry, Italy's luxury goods market — creates fault lines within the Western bloc that Beijing actively exploits.
- ▶ **Institutional Reform Deficits:** WTO dispute resolution is effectively paralysed. UNSC reform is stalled. IMF voting weights still underrepresent the Global South. These deficits weaken the institutional legitimacy that underpins Western credibility and provide openings for Chinese alternative institution-building.
- ▶ **Domestic Political Volatility:** Trumpian disruptions in the US represent a structural populist challenge to liberal internationalism that may recur. China can afford to wait for the next disruption — its authoritarian system does not face electoral accountability cycles.

Stakeholder and Political Resistance

- ▶ **Global South Ambivalence:** For much of the developing world, neither American nor Chinese dominance is welcome. Countries prefer multipolarity — the ability to balance between power centres. India's strategic autonomy doctrine is the most sophisticated expression of this preference, and it resonates widely.
- ▶ **China's Alternative Architecture:** AIIB, BRI, CIPS (payment system), and the proposed Petroyuan challenge the existing dollar-denominated financial architecture. Even if these alternatives remain secondary, their existence provides structural options that weaken Western leverage.
- ▶ **Epistemological Challenge:** Accurate assessment of Chinese economic capacity is genuinely difficult. Western intelligence agencies and academic institutions have repeatedly revised their estimates. This uncertainty makes strategic planning imprecise and can lead to both overestimation and underestimation of Chinese power.

8. Multidimensional Analysis

UPSC Mains rewards candidates who examine issues across multiple dimensions systematically. Each dimension below should be practised as a standalone paragraph that can be deployed in any IR question.

Social Dimension

- ▶ The US-China competition is reshaping global social narratives about development models. China presents its authoritarian development model as a viable alternative to liberal democracy — particularly appealing to post-colonial states frustrated with Western conditionalities and structural adjustment demands.
- ▶ China's wolf warrior diplomacy and state-controlled media create a social environment of hyper-nationalism domestically while generating distrust internationally. Social cohesion built on nationalism is structurally brittle — it requires continuous external threat narratives to sustain, creating escalatory pressures.
- ▶ American society's openness to immigrants and ideas has historically been its greatest social asset — Silicon Valley is substantially built on immigrant talent from India, China, and beyond. China's closed system cannot replicate this social capital advantage without fundamental political reform.
- ▶ For Assam and Northeast India: Chinese social media platforms (TikTok/ByteDance) and digital ecosystem penetration into Indian markets — including Northeast India — raises data sovereignty and cultural influence concerns directly relevant to APSC candidates.

Political Dimension

- ▶ The US-China rivalry is accelerating fragmentation of the liberal international order into competing geopolitical blocs — the G7-led democratic coalition, the China-Russia-led revisionist bloc, and a large non-aligned middle ground including India, Brazil, South Africa, Indonesia, and Turkey.
- ▶ China's political system concentrates power in Xi Jinping, creating decision-making vulnerability — personalised authoritarianism lacks institutional checks and has historically produced strategic miscalculations (Great Leap Forward, Cultural Revolution). Succession planning in authoritarian systems is structurally opaque.
- ▶ American democracy, despite its dysfunctions, has institutional mechanisms — judicial review, congressional oversight, civil society, free press — that act as error-correction systems. The 2020 election certification, despite enormous pressure, ultimately held — a demonstration of institutional resilience.
- ▶ The question of political legitimacy is central: Beijing derives legitimacy from economic performance and nationalist narrative. If economic growth slows significantly — as it is beginning to with youth unemployment exceeding 20% — political legitimacy pressures will intensify domestically.

Legal Dimension

- ▶ The South China Sea dispute illustrates China's willingness to reject unfavourable international legal rulings — the 2016 UNCLOS Arbitral Tribunal ruling against the nine-dash line was simply dismissed by Beijing. This behaviour is the defining example of China's legal trustworthiness deficit.
- ▶ China's BRI contracts have been criticised for opaque dispute resolution mechanisms that favour Chinese state-owned enterprises and exclude local legal systems — creating what critics call 'legal imperialism' or 'debt-trap diplomacy' through contractual architecture.

- ▶ International economic law frameworks — WTO, investment treaties, IP protection agreements — were designed for liberal market economies. China's state capitalism, with massive subsidies to SOEs, fits awkwardly within these frameworks, creating persistent legal tensions and 'rules-based order' legitimacy disputes.
- ▶ India's legal challenges with China: the Galwan Valley confrontation (2020) has no legal resolution mechanism because China refuses to accept the LAC's legal validity. This reveals a structural gap in the bilateral legal architecture that has direct security implications.

Ethical Dimension

- ▶ The ethics of hegemony are deeply contested. American hegemony has produced genuine global public goods — open sea lanes, financial stability, developmental institutions — but also genuine harms: Iraq, Vietnam, structural adjustment conditionalities, and climate inaction for decades.
- ▶ China's BRI has built real infrastructure in developing countries but has also created debt traps, environmental damage, and labour exploitation that raise serious ethical questions about its developmental claims and its credentials as a responsible global partner.
- ▶ The treatment of Uyghurs in Xinjiang — documented by satellite imagery, leaked government documents, and testimonies — represents an ethical dimension of Chinese power that cannot be separated from its strategic credibility. A state that systematically violates its own minorities' rights cannot credibly claim responsible global stakeholder status.
- ▶ For India: as a democracy with a civilisational commitment to Vasudhaiva Kutumbakam (the world is one family) and Ahimsa (non-violence), India must navigate strategic interests without abandoning normative commitments — a genuinely difficult ethical balancing act.

International Dimension

- ▶ The US-China rivalry is restructuring regional security architectures globally. In the Indo-Pacific, the Quad (India, US, Japan, Australia) and AUKUS (Australia, UK, US) are direct responses to China's military assertiveness and represent a new generation of security architecture.
- ▶ China's key strategic partnerships — No-Limits Partnership with Russia, CPEC with Pakistan, 25-year Comprehensive Cooperation Agreement with Iran — represent its attempt to build an alternative security architecture. However, these partnerships rest on transactional foundations rather than shared values, making them fragile under stress.
- ▶ India occupies a uniquely pivotal position: the world's largest democracy, a rising economic power, a Quad member, and an SCO member simultaneously. India's ability to maintain strategic autonomy while deepening partnerships with the West is central to the emerging multipolar equilibrium.
- ▶ The Global South's response — articulated through platforms like India's Voice of the Global South Summit — reflects genuine desire for a multipolar world rather than a bipolar US-China contest. This sentiment is the diplomatic space India must occupy and lead.

Economic Dimension

- ▶ The US dollar's reserve currency status gives America a structural economic advantage that is almost impossible to replicate quickly. Only 2.5-3% of global trade is settled in yuan versus 80%+ in dollars — a massive asymmetry that reflects decades of trust-building in US financial institutions.
- ▶ China's structural economic vulnerabilities are accumulating simultaneously: property sector crisis (Evergrande collapse), demographic decline (shrinking working-age population by mid-2020s),

youth unemployment exceeding 20%, and deflationary pressures that no stimulus package can easily reverse.

- ▶ India's economic positioning is directly relevant — as a potential alternative manufacturing hub under the China Plus One strategy, India can benefit from supply chain diversification without choosing sides in the US-China binary. The PLI (Production Linked Incentive) scheme is the primary policy vehicle for this repositioning.
- ▶ For Northeast India specifically: India's Act East Policy and connectivity initiatives — Kaladan Multimodal Project, India-Myanmar-Thailand Trilateral Highway, BIMSTEC trade frameworks — are directly tied to India's strategy of building economic integration with Southeast Asia as a counterbalance to Chinese influence.

9. Linkages with NCERTs

NCERT textbooks form the conceptual foundation for UPSC preparation. Connecting current affairs issues to specific NCERT chapters builds the comprehensive understanding examiners reward.

NCERT Book & Class	Relevance to This Issue
Class 12 Political Science — Contemporary World Politics	Most directly relevant. Chapters on the end of the Cold War, American hegemony in the unipolar world, globalisation, and alternative power centres provide the theoretical framework for understanding US-China competition.
Class 12 Political Science — Politics in India Since Independence	India's foreign policy evolution — Non-Aligned Movement, strategic autonomy, India-US relations, India-China relations — provides historical context for India's contemporary positioning in the US-China rivalry.
Class 11 Political Science — Political Theory	Chapters on rights, justice, equality, and democracy provide the philosophical vocabulary for evaluating competing governance models — liberal democracy versus authoritarian development.
Class 12 Economics — Macroeconomics	National income measurement chapters — GDP, GNP, PPP, price indices — directly relevant to understanding GDP measurement controversies and comparing Chinese versus American economic size credibly.
Class 11 Economics — Indian Economic Development	Development planning models and their outcomes provide context for evaluating the Chinese development model and the broader debate about authoritarianism versus democracy as growth drivers.
Class 9 & 10 History — Rise of Nationalism & Industrialisation	European imperialism, industrial revolution, and the rise and fall of empires provide the historical backdrop for the fiscal exhaustion theory of imperial decline discussed in this issue.
Class 12 History — Themes in World History	Colonialism, nationalism, and the making of the contemporary world connect historical patterns of great power competition to their present manifestations — essential for GS Paper 1 questions.
Class 10 Social Science — Democratic Politics	Chapters on federalism, democracy, and political institutions help build the comparative framework for evaluating democratic versus authoritarian political systems as foundations of strategic power.

10. Linkages with UPSC CSE Syllabus

Mapping this issue precisely to the UPSC syllabus ensures that preparation is targeted and that connections to multiple papers are visible. This issue is genuinely multi-paper — a rare and valuable property.

GS Paper 2 — International Relations (HIGHEST PRIORITY)

- ▶ Bilateral, regional, and global groupings involving India — Quad, BRICS, SCO, G20
- ▶ India-US relations, India-China relations — their dynamics and implications for Indian interests
- ▶ Important international institutions — IMF, World Bank, WTO, UNSC — their structure and functioning
- ▶ Effect of policies and politics of developed and developing countries on India's interests
- ▶ Globalisation and its implications — including de-globalisation and supply chain restructuring

GS Paper 3 — Economy and Security

- ▶ Indian economy and issues relating to growth, development, and its global integration
- ▶ Effects of liberalisation — changes in industrial policy, supply chain diversification, PLI schemes
- ▶ Science and Technology — semiconductors, AI, rare earths, and their strategic dimensions
- ▶ Security challenges — role of external state and non-state actors, border management
- ▶ Infrastructure development — connectivity projects in Northeast India linked to Act East Policy

GS Paper 1 — World History and Human Geography

- ▶ The Cold War era, decolonisation, rise of American hegemony — historical foundations
- ▶ Industrial revolution and the rise and fall of empires — fiscal exhaustion as mechanism
- ▶ Population dynamics — China's demographic decline and its strategic implications
- ▶ Urbanisation and its economic implications in the context of China's development model

Essay Paper

- ▶ 'The future belongs to nations that can trust and be trusted' — trust as strategic asset
- ▶ 'Economic power is the ultimate arbiter of geopolitical dominance' — fiscal power thesis
- ▶ 'Democracy and development: Can authoritarian shortcuts deliver lasting prosperity?'
- ▶ 'Multipolarity is inevitable, but its architecture remains deeply uncertain'
- ▶ 'Globalisation is not ending — it is merely changing its geography'

GS Paper 4 — Ethics

- ▶ Ethical dilemmas in foreign policy — national interest versus international obligations
- ▶ Trust, honesty, and integrity as values in international statecraft — with examples
- ▶ Role of international ethics in governance — Kantian, consequentialist, and virtue ethics perspectives
- ▶ Ethical leadership — what separates responsible from irresponsible global power

11. Best Linkages with Syllabus, Philosophy, and Epistemology

The deepest UPSC answers integrate theoretical and philosophical dimensions seamlessly. The following linkages are the most intellectually productive for this issue.

- ▶ **Power Transition Theory (Organski) — Thucydides Trap (Graham Allison):** The theoretical framework for understanding why rising power-incumbent power moments are structurally dangerous. Nineteen of twenty-three historical cases ended in war. Allison's research shows that even when both sides rationally prefer peace, structural incentives toward conflict are powerful. UPSC has repeatedly asked about the changing nature of power and India's strategic options — all require this theoretical foundation.
- ▶ **Mandala Theory — Kautilya:** The Arthashastra's Mandala theory holds that the immediate neighbour is a natural enemy and the neighbour's neighbour is a natural ally. This explains India's deep concern about CPEC through Pakistan, China's naval presence in Sri Lanka, and its infrastructure in Nepal, Bangladesh, and Myanmar. The US-India alignment is, in Kautilyan terms, a natural ally relationship against a shared proximate challenger.
- ▶ **Rawlsian International Justice — John Rawls (The Law of Peoples):** Rawls extended his theory of justice to international relations. A Rawlsian analysis asks: is the current international order just? If it is structurally designed to maintain Western advantage while denying developing countries fair terms of trade, climate finance, and technology transfer, does it have genuine moral legitimacy? This question animates UPSC essays on global governance, WTO reform, and equity.
- ▶ **Habermas and Communicative Rationality:** Habermas argues that truth and legitimate authority emerge through open, undistorted dialogue — the 'ideal speech situation.' Applied to this issue: China's state-controlled information environment systematically distorts dialogue, producing 'knowledge' that serves power rather than truth. This is the epistemological foundation for scepticism about Chinese official statistics and diplomatic claims.
- ▶ **Foucault — Genealogy of Power and Knowledge Production:** Foucault's genealogical method reveals how knowledge is produced within and for power structures. Chinese GDP data, diplomatic discourse, and historical narratives about the 'Century of Humiliation' are all examples of knowledge produced within a particular power structure. Critical engagement with this knowledge — neither wholesale acceptance nor reflexive dismissal — is the epistemologically sophisticated approach.
- ▶ **Sen's Development as Freedom — Critique of Authoritarian Development:** Sen's argument that development means expanding substantive freedoms — not merely raising GDP — provides the most powerful philosophical critique of China's development model. A country that produces GDP growth through forced labour, political repression, and surveillance cannot be said to have achieved genuine development in the Senian sense. This framework is directly applicable to UPSC Ethics and Essay answers.
- ▶ **Vasudhaiva Kutumbakam — India's Civilisational Epistemology:** India's ancient philosophy of 'the world is one family' offers a genuinely alternative international relations epistemology — neither Westphalian sovereign state logic nor Chinese civilisational supremacy claims. It provides a philosophical foundation for India's multi-alignment strategy and its Vision of a multipolar, cooperative world order. This is the distinctively Indian philosophical contribution to the debate.

12. Way Forward

Practical, balanced recommendations distinguish high-scoring UPSC answers from descriptive ones. The way forward must operate at multiple levels simultaneously.

For the Global Order

- ▶ **Multilateral Institution Reform:** The UNSC, WTO, and IMF must be reformed to better reflect contemporary economic and demographic realities. Without reform, these institutions will lose legitimacy and effectiveness — creating a vacuum that great power competition will fill dangerously. India should lead reform advocacy from within, not outside, these institutions.
- ▶ **Managed Multipolarity Framework:** A multipolar world where multiple power centres operate within agreed rules is more sustainable than either unipolar American dominance or a Chinese-led alternative order. This requires diplomatic investment in building shared norms for critical domains — cyberspace, outer space, AI governance, and pandemic preparedness.
- ▶ **Technology Governance Architecture:** Global frameworks for AI regulation, semiconductor export controls, cyber warfare norms, and space militarisation are urgently needed. The current absence of agreed rules creates dangerous ambiguities that could escalate to kinetic conflict faster than decision-makers expect.
- ▶ **Climate Finance and Equity:** A trust-based global order requires addressing the legitimate grievances of the Global South about climate finance, technology transfer, and fair terms of trade. Western credibility in the developing world depends on action, not rhetoric.

For Western Democracies

- ▶ **Domestic Renewal as Strategic Priority:** The United States must address its internal governance deficits — polarisation, infrastructure decay, educational inequalities — before it can credibly lead internationally. Domestic renewal is the precondition for sustainable hegemony, not a distraction from it.
- ▶ **European Strategic Autonomy:** The EU must develop genuine strategic autonomy, particularly in defence and energy, to reduce vulnerabilities that China and Russia actively exploit. Completing a genuine European defence architecture is the most consequential institutional reform available.
- ▶ **Genuine Global South Engagement:** Western democracies must invest in trust-building with developing countries not through lectures about democracy but through tangible partnerships — debt relief, vaccine access, technology transfer, and climate finance commitments that are actually delivered.

For India — Strategic Imperatives

- ▶ **Maintain Strategic Autonomy with Deepening Partnerships:** India must continue deepening partnerships with the US, Japan, Australia, France, and other democratic partners while maintaining independent foreign policy positions. Formal military alliance commitments that reduce flexibility should be avoided — India's value in the global balance precisely lies in its non-alignment.
- ▶ **Economic Self-Reliance in Critical Sectors:** Dependence on Chinese imports in pharmaceuticals (60-70% API dependency), electronics components, and solar panels is a strategic vulnerability that must be addressed through the PLI scheme, domestic R&D investment, and supply chain diversification to trusted partners.
- ▶ **Northeast India as Strategic Gateway:** Accelerating Act East connectivity — Kaladan Multimodal Project, India-Myanmar-Thailand Trilateral Highway, Agartala-Akhaura Rail Link — transforms Assam and Northeast India from a landlocked periphery into a strategic economic gateway to Southeast Asia, directly countering China's influence in the region.
- ▶ **Articulate a Positive Multipolar Vision:** India's diplomatic success depends on articulating a positive, non-Western vision of global order — rooted in civilisational values of pluralism, dialogue, and

mutual respect — that resonates with the Global South and provides an alternative to both American liberal hegemony and Chinese authoritarian patronage.

- ▶ Lead Global South Institutional Architecture: India's G20 presidency (2023), Voice of the Global South Summit leadership, and BRICS engagement collectively position India to lead the institutional articulation of Global South interests. This should be a sustained strategic project, not an episodic diplomatic initiative.

13. Previous Years' UPSC and APSC Questions

Mastery of PYQs is the most reliable guide to what examiners value. Questions are grouped by paper and theme. Questions on similar themes are included even where phrasing differs — the underlying analytical demand is the same.

UPSC Mains — GS Paper 2: International Relations

1. **[2023 – GS2 Mains]** The emergence of a multipolar world is reshaping the global order. Discuss the challenges and opportunities this presents for India's foreign policy.
2. **[2022 – GS2 Mains]** India's relationship with China has witnessed significant strains in recent years. Evaluate the factors responsible and suggest a way forward.
3. **[2021 – GS2 Mains]** The Quad grouping has gained renewed significance in the Indo-Pacific. Analyse its strategic rationale and implications for India.
4. **[2020 – GS2 Mains]** With the world order undergoing a fundamental transformation, what are the key challenges and opportunities for India's engagement with great powers?
5. **[2019 – GS2 Mains]** In what ways would the ongoing US-China trade war affect the global trading system? What are its implications for India?
6. **[2018 – GS2 Mains]** India's foreign policy should be driven by enlightened national interest rather than ideological consideration. Evaluate.
7. **[2017 – GS2 Mains]** China is using its economic relations and positive trade surplus as a tool of its foreign policy. Analyse this in the context of India-China relations.
8. **[2016 – GS2 Mains]** What are the main elements of the new 'Look East Policy' of India? What are the obstacles to successful implementation?

UPSC Mains — GS Paper 3: Economy and Security

9. **[2022 – GS3 Mains]** Do you agree that the world is experiencing 'slowbalisation'? What are its implications for India's economic integration with the global economy?
10. **[2021 – GS3 Mains]** Discuss the significance of the Indo-Pacific Economic Framework for India's economic interests.
11. **[2020 – GS3 Mains]** Explain the rationale behind growing calls for supply chain diversification by Western countries. What opportunities does this present for India?
12. **[2019 – GS3 Mains]** What are the main features of India's National Cyber Security Policy? How does it address emerging threats from state and non-state actors?

UPSC Mains — GS Paper 1: World History

13. **[2023 – GS1 Mains]** Assess the causes for the rapid rise and fall of empires in the modern world. What lessons does this hold for contemporary great power competition?
14. **[2019 – GS1 Mains]** The Cold War era left a legacy that continues to shape international relations. Examine.
15. **[2015 – GS1 Mains]** What were the events that led to the Suez Crisis in 1956? How did it influence the balance of power in international politics?

UPSC Essay Paper — Directly Relevant Themes

16. **[2022 – Essay]** The future of globalisation is not the end of globalisation.
17. **[2019 – Essay]** A good life is one inspired by love and guided by knowledge. (Philosophical base of trust and goodwill)
18. **[2018 – Essay]** The digital economy is a leveller, not a divider.

19. [2017 – Essay] Innovation is the key determinant of economic growth and social welfare.

UPSC Prelims — Concept-Based Questions (Representative)

- ▶ Questions on UNCLOS and the South China Sea — nine-dash line, freedom of navigation
- ▶ Questions on BRICS, SCO, Quad — membership, mandate, recent developments
- ▶ Questions on IMF/World Bank — voting shares, SDR, conditionality
- ▶ Questions on WTO — dispute resolution mechanism, most-favoured-nation clause, anti-dumping
- ▶ Questions on China's BRI and CPEC — routing, strategic implications for India
- ▶ Questions on US dollar's reserve currency status and alternatives (yuan internationalisation)
- ▶ Questions on Power Transition Theory and Thucydides Trap (as concept)

APSC Mains Questions — Northeast India Lens

- ▶ Evaluate China's growing presence in Bangladesh, Nepal, and Myanmar and its implications for Assam's border security and regional development.
- ▶ How does India's Act East Policy affect the economic and strategic interests of Northeast India? Examine with reference to specific connectivity projects.
- ▶ Discuss the strategic importance of Assam in the context of India's neighbourhood policy and Indo-Pacific strategy.
- ▶ The Brahmaputra River represents both an opportunity and a vulnerability in India-China relations. Elaborate with specific reference to Assam.
- ▶ Northeast India as a gateway to Southeast Asia: Assess the challenges and opportunities in the context of India's regional diplomacy under the Act East Policy.
- ▶ Evaluate the impact of China's string of pearls strategy on India's maritime security and Northeast India's connectivity ambitions.

14. Model Answers for Selected Questions

Each model answer follows UPSC Mains format: Introduction → Body (with subheadings) → Way Forward → Conclusion. Word count is approximately 250 words. Use these as structural templates, not verbatim answers.

Q1: China is using its economic relations and positive trade surplus as a tool of its foreign policy. Analyse in the context of India-China relations. [UPSC GS2, 2017]

Introduction:

China's spectacular economic rise has given it a sophisticated toolkit of economic statecraft — the deliberate use of trade, investment, and financial instruments to achieve geopolitical objectives. In India's case, this dynamic is particularly consequential given the structural trade imbalance exceeding \$85 billion annually, shared borders spanning 3,488 km, and competing regional ambitions across the Indo-Pacific.

China's Economic Instruments Against India:

- ▶ Selective market access restrictions: China periodically restricts Indian pharmaceutical, agricultural, and IT service exports while flooding Indian markets with manufactured goods — maintaining the trade imbalance as a source of leverage.
- ▶ BRI-CPEC as territorial statement: The CPEC component passing through Pakistan-occupied Kashmir was partly a political statement of China's territorial position, using economic infrastructure to normalise its occupation claims.
- ▶ Debt diplomacy in the neighbourhood: Chinese investments in Sri Lanka (Hambantota Port), Pakistan (Gwadar), Bangladesh (Chittagong), and Myanmar (Kyaukphyu) form a strategic encirclement — the String of Pearls — that has legitimate security implications for India.
- ▶ Technology dependency: Indian dependence on Chinese electronics components, solar panels, and Active Pharmaceutical Ingredients (60-70%) represents critical strategic vulnerabilities that Beijing can activate during crises.

India's Response:

- ▶ Post-Galwan (2020): Banned 267 Chinese apps, tightened FDI screening from land-border-sharing countries, launched Atmanirbhar Bharat with PLI schemes in critical sectors.
- ▶ Strategic diversification: Deepening trade relationships with ASEAN, the EU, the US, and Japan to reduce single-source dependencies.
- ▶ Act East connectivity: Developing Northeast India as an alternative economic corridor to Southeast Asia, bypassing Chinese-influenced land routes.

Way Forward:

India must simultaneously pursue three tracks: accelerate domestic manufacturing in critical sectors, deepen alternative trade partnerships, and maintain diplomatic engagement to manage the relationship without allowing it to spiral. Economic self-reliance is not protectionism — it is strategic prudence rooted in a clear-eyed assessment of the relationship's asymmetric character.

Conclusion:

China's economic instruments are real, strategically purposeful, and increasingly sophisticated. India's response must match this sophistication with patient, multi-track economic diplomacy backed by genuine industrial capacity-building and a credible deterrence posture.

(~280 words)

Q2: The Quad grouping has gained renewed significance in the Indo-Pacific. Analyse its strategic rationale and implications for India. [UPSC GS2, 2021]

Introduction:

The Quadrilateral Security Dialogue — comprising India, the United States, Japan, and Australia — has evolved from an informal post-2004 tsunami maritime cooperation mechanism into a structured strategic platform addressing the most consequential geopolitical competition of the 21st century. Its elevation to Leaders' Summit level in 2021 marked its transition from concept to cornerstone.

Strategic Rationale:

- ▶ Shared threat perception: China's militarisation of South China Sea features, harassment of fishing vessels, debt diplomacy through BRI, and aggressive behaviour on the India-China LAC (Galwan 2020) have created converging threat perceptions among all four Quad members.
- ▶ Indo-Pacific concept: Articulated by Japan's Abe Shinzo in 2007, the Indo-Pacific links Indian Ocean and Pacific security — the space where India is a resident power and China is a projected power. The Quad is the institutional expression of this geographical logic.
- ▶ Rules-based order defence: All four members share a commitment to freedom of navigation, overflight, and unimpeded commerce — principles China's maritime assertiveness directly challenges.

Implications for India:

- ▶ Strategic validation: The Quad validates India's importance as an Indo-Pacific power and provides structured access to American, Japanese, and Australian military technology, logistics arrangements (BECA, LEMOA, COMCASA), and intelligence sharing.
- ▶ Economic benefits: Quad initiatives in supply chain resilience, semiconductor cooperation, and clean energy technology directly benefit India's industrial development goals — particularly critical minerals and EV battery supply chains.
- ▶ Diplomatic centrality: The Quad Vaccine Partnership delivered over 1 billion COVID vaccines to Indo-Pacific countries, positioning India (as manufacturer) and the Quad (as financier) as credible development partners against China's vaccine diplomacy.
- ▶ Strategic autonomy preservation: India has ensured the Quad does not function as a formal military alliance, maintaining its flexibility and non-alignment heritage — preserving India's unique value in the global balance.

Challenges:

Divergent economic interests with China among members, domestic political variability, and the risk of being perceived purely as anti-China require continuous diplomatic management to maintain the platform's cohesion and credibility.

Conclusion:

The Quad is India's most important multilateral strategic engagement since the Cold War. Maximising its strategic benefits while preserving India's flexibility and its leadership role in the Global South requires the kind of sophisticated multi-vector diplomacy at which India has historically excelled.

(~290 words)

★. UPSC Relevance Summary and Note-Making Tips

Why This Issue is Indispensable for UPSC 2026: US-China competition is the defining structural reality of the 21st-century international system. Every major GS Paper 2 question on IR, every Essay on globalisation or power, and every GS3 question on India's economic global integration requires a clear, theoretically grounded understanding of this rivalry.

Why This Issue Demands Priority Attention

- ▶ Multi-paper coverage: This single issue connects GS1 (world history, geopolitics), GS2 (IR, governance), GS3 (economy, security), GS4 (ethics in statecraft), and Essay — rare and valuable for integrated preparation.
- ▶ APSC strategic relevance: For Assam candidates, the Northeast India dimension — border management, Act East Policy, Brahmaputra water politics, China's encirclement through neighbours — adds a region-specific analytical layer that differentiates answers.
- ▶ High recurrence frequency: IR questions on US-China competition, Quad, BRI, and multipolarity have appeared in virtually every UPSC Mains cycle since 2015 — this is a high-probability theme.
- ▶ Essay versatility: The conceptual frameworks developed here — fiscal power, trust as strategic asset, derivative dependency, democratic resilience — can be deployed across a wide range of essay prompts.

Note-Making Strategies for Maximum Retention

- ▶ Two-Column Comparison Table: Create a detailed US strengths versus Chinese strengths table covering economy, military, soft power, institutional influence, demographic trends, and technological capacity. Update it monthly as current affairs develop.
- ▶ Trust-Coercion Matrix: For each of India's major international relationships, assess where it sits on the trust-versus-coercion spectrum. This builds the analytical instinct for IR questions that examiners reward.
- ▶ Three-Level Analysis Habit: For every IR topic, practise analysis at three levels: (1) bilateral/issue level, (2) regional implications, (3) global order implications. UPSC consistently rewards multi-level thinking over single-dimensional description.
- ▶ GDP Data Card: Memorise key figures — US \$30T, China \$20T, EU \$22T, India ~\$3.7T — and their proportional relationships. Use these as analytical anchors in essays and GS answers to demonstrate command of evidence.
- ▶ PYQ-Theme Mapper: Tag each PYQ you encounter with 3-4 conceptual themes (e.g., hegemony, trust, multipolarity, economic statecraft). Over time, you will discover that 70% of questions cluster around 15-20 core themes — and preparation becomes strategic rather than encyclopaedic.
- ▶ APSC Northeast Paragraph Bank: Maintain a ready paragraph connecting every international relations topic to Assam's specific context — border districts, Act East connectivity, Brahmaputra corridor, insurgency-development nexus. This distinguishes APSC answers from generic UPSC answers.
- ▶ Philosophical Tags: For each argument you master, identify its philosophical lineage — Realist, Constructivist, Liberal, Kantian, Kautilyan. Dropping these tags elegantly in answers signals theoretical sophistication to examiners.

— End of Module —

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