

Two roads to power: comparing China's and India's Defence Policies

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It is common knowledge that a strategic battle is playing out in the Indo-Pacific: the US has opted to expand its economic and military presence through a strategic bet on India, alongside commercial competition with China. India, meanwhile, is studied as a non-aligned power that is carving out its role in the Indo-Pacific as a counterweight to other powers. China, on the other hand, has been watched by the US with increasing suspicion as the CCP has taken steps to unify the civilian and defence industries. Indeed, nowadays, geopolitical concerns drive these actors toward numerous reconfigurations of their defence policies. That is why we ask how shifts in the ideologies of India and China are reshaping their defence-industrial policies. Through this brief, we will consider how political ideology and defence policy interact.

Despite the ruling party's self-portrayal, the Chinese economy is rarely seen as truly socialist. The CCP frames its economy as a "socialist market economy" that pursues socialist aims with capitalist market mechanisms. In an attempt to reformulate Marx's ideas, the former Deng Xiaoping administration found that society must pass through capitalism to build socialism. However, from an economic perspective alone, China's economy meets the conditions for a capitalist economy (Zhang, 2023, p. 819).

With elites being part of or closely tied to the ruling party, the state's role distinguishes the system from a classical Western-style capitalist one. Ruling technocrats of the CCP pursue objectives different from those of the private sector. Rather than increase profit, they aim to increase production. This phenomenon is especially prevalent in the defence industry. In general, across all types of economic systems, defence industries often face monopolistic demand from the state as the only official customer. At the same time, a few companies are competing for state contracts. Programs are often classified, and information is less transparent. Rather than pure profit, state interests and logic drive demand.

China's defence industry policy has gained salience. Several speeches from Xi demonstrate that China sees itself close to a military conflict due to its striving to "unify the Motherland" and acquire Taiwan. Therefore, the country has undertaken several measures to develop a competitive military fleet to counter the US. Under Xi, China strives to build military capacities to mirror the American model. Chinese military planners largely prefer an American-style defence industry that promotes the efficient allocation of resources through private sector collaboration and procurement. This presents a move away from the usual state-led economy. Since the mid 2010s, Military Civic Fusion (MCF) has been the CCP's new strategy under Xi and has been enshrined in the respective Five-Year Plans.

MCF aims to deliberately fuse China's civilian and military economies, technology, data, capital, and personnel so that economic development and defence modernisation reinforce each other. It builds on (and is more ambitious than) earlier, stalled efforts at "military-civil integration" employed by the Deng administration in the 80s. By 2015, over 35 funds had been established, dedicated to investing in firms related to MCF. Chinese scholars, however, estimate that, in reality, the largest state-owned enterprises have largely cordoned themselves off from the actual economy, and that by 2010, less than 1 per cent of the country's civilian high-tech enterprises were involved in defence-related activity. MCF, therefore, despite all US public framing, has not been as effectively employed in China as anticipated.

Chinese MCF has modelled some of the American counterpart institutions and is seen as a counterpart to them (Kania, 2019). But unlike in the US, participation in MCF by Chinese companies is not voluntary due to its technocratic, state-led approach. The demand is not market-driven but led by the Chinese state. Due to the absence of public accountability and laws guaranteeing property in China, these public-private collaborations

seem to thrive less. Researchers and private companies might fear that their property could be seized by the state and are thus reluctant to innovate in the defence sector. Whether the strategy will succeed remains open. Furthermore, since the latest Five-Year Plan no longer mentions the strategy, its success is questionable (Martinson, 2026).

Modi portrays India's foreign policy by following the Vishwa Mitra concept (Fernández Aparicio, 2025), a well-known sage and friend to all, who seeks everyone's well-being without forgetting its own. In international relations, India pursues a multi-aligned position, avoiding particular blocs and forming agreements with various States depending on its own interests.

Based on this vision, India pursues its strategic autonomy (SA). Indeed, this strategy has its roots in India's colonial past, was adopted during the Cold War, and remains a keystone to navigate this multipolar and uncertain environment, following its own will (Chakraborty, 2026). This SA is supported in the *Vision 2047* document across the domains of economics and defence (Choudhary, 2026). Through this document, a full spectrum of defence readiness is projected to be developed. Released in 2026, the Indian *Defence Acquisition Procedure* (DAP) establishes a clear framework to build strategic autonomy and defend the Indian defence sector (Shorestein APARC, n.d)

Following this Indian narrative pursued by Modi, the DAP fosters a defence industry moving from "Made in India" to "Owned by India". India should rely on Indian engineers rather than on wealth generated through licensed production, which is threatened by a mere misunderstanding or a tense geopolitical climate. Not to mention that the DAP was announced one year after the Sindoor conflict.

In addition to these unconditional production rights, civil-military fusion is pursued to foster technological innovation in both fields. This is why the government has created categories intended to link the procurement with its financing sources and future risk. The "Make I" category represents the high-risk facilities that no company is willing to pay for, which is why the government pays 70% of that financial risk. Both "Make II" and "Make III" are funded by companies. The first aims to develop new technologies, and the second aims to replace imports. (Pant, 2026) However, there are some issues still pending, such as the lack of accountability for the "Make" categories, or the real track that could be done in larger firms, but not in smaller ones; a gap that may need to be addressed by the government.

Although India is advancing in its pursuit of SA, some challenges remain. On the one hand, China's reserve of active personnel is larger than India's, according to the Global Firepower Index, and China ranks 3rd globally, compared with India's 4th (Global Firepower, 2026). On the other hand, India seeks to foster strategic alliances in defence procurement, such as the RDPA Agreement with the US, which eases grant defence rules between both states (Bhandari K, 2026). In sum, India has a dual defence strategy

that could be summarised as alliance-building connected with strategic investments in autonomous capabilities.

Broadening the analysis scale, India shows a selectively aligned position based on issues, even within the Quadrilateral Security Dialogue among the US, Japan, and Australia, as long as they threaten strategic interests, namely countering China's influence in the region, diversifying trade and supply lines, and expanding technology exchange. Therefore, it is a formula to pursue its own interests, avoiding a formal alliance commitment within the Quad, for instance. Following them requires both internal (national defence procurements to reduce its dependency) and external (agreements) measures to counter the rival or raise its capabilities; this could be seen as a realism-theory-oriented approach, according to Schottli (2026).

Both China's and India's defence-industrial trajectories reveal how political ideology shapes not only what states purchase, but also how they organise the relationship between the state and the defence sector and how it is influenced by each ideology. China's Military-Civil Fusion reflects a technocratic, state-directed logic consistent with its "socialist market economy". The CCP has attempted to replicate the efficiency gains of US-style civil-military integration while preserving centralised state control over the strategic direction. Still, without market-driven incentives, secure property rights, or genuine accountability, Chinese firms have had little reason to embrace the fusion the state wishes for. India's approach, by contrast, is animated by a different ideological commitment. "Strategic autonomy" is rooted in a non-aligned, multi-polar worldview. The DAP's shift from "Made in India" to "Owned by India," and its "Make" categories, represent an attempt to build indigenous defence capacity through public-private risk-sharing. This model also faces unresolved tensions, especially around accountability and the uneven capacity of larger versus smaller firms to absorb risk. Still, both states, despite their different approaches, confront the same structural problem of aligning state ambition with private-sector incentives.

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