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# The Soft Power Effects of India's Digital Diplomacy: Competitive Comparison with China's Digital Silk Road

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## ABSTRACT

Digital technology is becoming a new field for national soft power projection and geopolitical games. This article adopts a comparative research method to analyze the soft power effect of China's digital Silk Road and India's digital technology diplomacy in the Global South. China is characterized by the export of heavy assets such as infrastructure and industrial systems, and builds influence through the triple structure of "hard connectivity-soft connectivity-heart connectivity"; India is characterized by the diffusion of light assets such as digital public infrastructure and governance systems, and promotes governance experience through low-cost and open-source paths. The acceptance of China and India is closely related to the existing digital economic development conditions of the target countries. Different initial conditions, such as market maturity, regulatory framework, technology absorption capacity, etc., have guided differentiated cooperation needs, thus affecting their preferences in global digital development programs. Geopolitical preferences have become an important variable, and the "Global South" countries are increasingly adopting mixed strategies. In the future, China and India will present a dual trend of coexistence and competition in the "Global South", and the strategic autonomy of the "Global South" countries will continue to shape the final direction of this digital competition.

**Keyword:** Digital Technology Diplomacy; Digital Silk Road; Soft Power; Global South; Global Governance

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## ОРИГИНАЛЬНАЯ СТАТЬЯ

## Влияние «мягкой силы» цифровой дипломатии Индии: конкурентное сравнение с китайским «Цифровым шелковым путем»

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## АННОТАЦИЯ

Цифровые технологии становятся новым полем для национальной демонстрации мягкой силы и геополитических игр. В данной статье используется метод сравнительного исследования для анализа влияния «мягкой силы» цифрового шелкового пути Китая и дипломатии цифровых технологий Индии на Глобальном Юге. Китай характеризуется экспортом «тяжелых» активов, таких как инфраструктура и промышленные системы, и укрепляет свое влияние благодаря тройной структуре «жесткая связь – мягкая связь – сердечная связь»; Индия характеризуется распространением таких «легких» средств, как цифровая общественная инфраструктура и системы управления, и распространением опыта управления с помощью недорогих технологий и с открытым исходным кодом. Признание Китая и Индии тесно связано с существующими условиями развития цифровой экономики в целевых странах. Различные исходные условия, такие как зрелость рынка, нормативно-правовая база, способность к освоению технологий и т.д., определяют различные потребности в сотрудничестве, что влияет на их предпочтения в глобальных программах цифрового развития. Геополитические предпочтения стали важной переменной, и страны «Глобального Юга» все чаще применяют смешанные стратегии. В будущем Китай и Индия будут представлять собой двойственное направление сосуществования и конкуренции на «Глобальном Юге», и стратегическая автономия стран «Глобального Юга» будет по-прежнему определять окончательное направление этой цифровой конкуренции.

**Ключевые слова:** дипломатия цифровых технологий; цифровой шелковый путь; мягкая сила; Глобальный Юг; глобальное управление

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## INTRODUCTION

In the third decade of the 21<sup>st</sup> century, digital technology is undergoing a transformation from a diplomatic tool to a diplomatic ontology [1]. Digital technology has not only reshaped the way of interaction between countries, but also become a new field for soft power projection and geopolitical competition. India and China have shown different strategic paths in the field of digital technology diplomacy. As the digital dimension of the Belt and Road Initiative, China's Digital Silk Road has been upgraded from early information interconnection to comprehensive digital ecological output. However, China's digital Silk Road faces the challenges of stigmatization such as "digital authoritarianism", "technical colonialism" and "debt trap theory" in international narratives, which are often interpreted as geopolitical expansion tools, resulting in a reduction in the effect of soft power projection. India's digital technology diplomacy has explored a technical path with digital public infrastructure as the core and development demand-oriented. The British Economist positions India's digital public infrastructure as a low-cost, software-based "digital version of the Belt and Road" model.<sup>1</sup> However, India's network readiness index only ranks 49th in the world (China ranks 17th), and there are significant shortcomings in digital infrastructure.<sup>2</sup> The imbalance between India's "ability-ambition" and China's "strength-narrative" constitutes the core paradox of competitive comparison.

Existing literature has formed a rich academic dialog on the research of the digital Silk Road under the framework of the Belt and Road Initiative, but the academic discussion on India's digital technology diplomacy is still in its infancy. Despite India's frequent advocacy of the global influence of its digital public infrastructure, systematic research is limited. In a few comparative studies, scholars often tend to adopt the binary framework of the "China-US game", regard India as a passive responder or a secondary role, and ignore its global digital ambition as an autonomous actor. In view of this, this article is based on the competitive comparison framework, combined with the latest data and cases, to explore India's digital tech-

nology diplomacy and its soft power effect compared with China's digital Silk Road.

## THE CORE COMPOSITION OF DIGITAL SOLUTIONS WITH INDIAN CHARACTERISTICS

The foundation and important material carrier of India's digital technology diplomacy is its independently developed digital public infrastructure, collectively known as "India Stack". This stack comprises a suite of digital public goods built on open application programming interfaces (APIs) and employs a layered architecture design. It addresses three fundamental challenges of the digital economy: identity verification, unified payments, and data management. Having undergone extensive practical validation domestically, the India Stack has become a key resource for India's international cooperation.

### Identity Layer

Aadhaar is the first layer of India's digital public infrastructure and the largest biometric identification system in the world. Before its launch, India's identity authentication system was extremely chaotic, with a variety of identity certificates such as driver's licenses, voter's cards and passports in parallel, and more than half of the country's population did not have any official identity certificates. Around 2010, the Indian government launched Aadhaar, which linked the biometrics of citizens with 12-digit identification numbers, which solved the long-standing problem of identity verification confusion and forgery in India, and provided basic support for public services, financial inclusion and social welfare. Taking banking services as an example, tellers can instantly access pre-stored biometric data from the database using a customer's Aadhaar number for verification, streamlining the process for customers while significantly reducing workload. As of August 2023, over 1.3 billion people in India possess an Aadhaar number, representing more than 99% of the country's adult citizens.<sup>3</sup> At present, Aadhaar has entered a new stage of maintaining data accuracy and expanding application depth from pursuing the number of registrations.

Based on Aadhaar's successful experience, India has developed a module open source identity platform (MOSIP) for the international market, which provides low-cost and efficient alternatives for countries that

<sup>1</sup> Economic Times (via The Economist). India's low-cost digital platforms project its technological dominance on global front. 2025. URL: <https://economictimes.indiatimes.com/news/india/indias-low-cost-digital-platforms-project-its-technological-dominance-on-global-front/articleshow/100893713.cms>

<sup>2</sup> Portulans Institute. Network Readiness Index 2024. Washington (DC): Portulans Institute; 2024. & Press Information Bureau of India. India shines in Network Readiness Index 2024. URL: <https://pib.gov.in/PressNoteDetails.aspx?NoteId=153468>

<sup>3</sup> Unique Identification Authority of India. Aadhaar authentication rose to 2.31 billion in March 2023. Government of India; 2023 Apr 28. URL: <https://uidai.gov.in/en/media-resources/media/aadhaar-in-prints/13914-aadhaar-authentication-rose-to-2-31-bn-in-mar-2023.html>

lack perfect identity authentication systems, enabling India to participate in the construction of basic social governance structures in other countries, thus forming a deep strategic impact.

### Payment Layer

The Unified Payment Interface (UPI) is the core transaction layer in India's digital public infrastructure. Launched by the National Payment Corporation of India, it allows users to link multiple bank accounts to a single mobile APP provided by any member bank, changing the situation of separate digital wallets and mobile payment platforms in the Indian market before 2016, simplifying digital banking services. Indians who have never opened a bank account can operate multiple accounts of different banks through one APP as long as they have Aadhaar identity and smartphones, which has greatly promoted the process of financial inclusion in India. The UPI system is also closely connected with government services, especially the direct welfare transfer system, which helps to solve the problems of corruption and inefficiency in welfare distribution. UPI has achieved remarkable transaction volumes in India. In August 2025, UPI's monthly transaction volume surpassed 20 billion for the first time, with an average daily transaction volume reaching approximately 707 million. UPI facilitates about 85% of India's digital retail transactions, establishing itself as the country's most dominant payment method.<sup>4</sup>

The success of UPI is also reflected in cross-border payment cooperation. The Modi government has successively promoted the interoperability of UPI with other countries' payment systems, such as Singapore's PayNow and the UAE's Neopay. This has significantly reduced fees for cross-border remittances and enhanced India's economic and financial penetration into these nations. The Reserve Bank of India recently announced that it has reached an agreement with the European Union to launch the direct connection between UPI and the TARGET instant payment and settlement system in the Eurozone to further expand the cross-border payment capabilities of UPI.

### Data Layer

The paperless layer and the Data Empowerment and Protection Architecture (DEPA) constitute the data layer of India's digital public infrastructure. The paperless layer primarily includes DigiLocker and Account

<sup>4</sup> Economic Daily. India accelerates cooperation in cross-border digital payments. China Economic Net; 2025 Nov 26. URL: [http://m.ce.cn/bwzg/202511/t20251126\\_2601807.shtml](http://m.ce.cn/bwzg/202511/t20251126_2601807.shtml) (In Chin.)

Aggregator (AA), which constitute the data management and application ecosystem. DigiLocker is a system for digital storage of key documents, reducing citizens' dependence on physical documents and improving public service efficiency and anti-counterfeiting ability. AA is a key data sharing intermediary, which uses user-authorized financial asset certificates, liabilities, cash flow and other integrated verification information. DEPA gives users autonomous control over data through AA and other mechanisms. By decoupling data from services, it tries to balance the rights and development value of personal data, responding to the core concerns about privacy protection in the digital age, and has become an important selling point for India to promote its digital governance model to the international community. The application of DEPA in the fields of medical care, education and agriculture shows cross-departmental interoperability.

The modular design of the Indian model allows target countries to localize core principles and open technologies, which is regarded as a way of cooperation that encourages joint development rather than technology monopoly. However, technology transfer is often accompanied by technical training and capacity-building programs, leading to the recipient countries developing a sustained technological dependency on India [2].

## THE "TRIPLE CONNECTIVITY" ARCHITECTURE OF CHINA'S DIGITAL SILK ROAD

The implementation of China's Digital Silk Road follows a three-tiered framework of "hard, soft, and heart connectivity," forming a progressive cooperative structure.

### Hard Connectivity of Digital Infrastructure

"Hard connectivity" is the material foundation of the Digital Silk Road, covering network infrastructure, computing infrastructure, integration infrastructure and innovation infrastructure. Network infrastructure construction covers 5G base stations, cross-border optical cables and mobile networks. By the end of 2024, Chinese enterprises have built a total of 34 cross-border land optical cables and 17 operational international and Hong Kong, Macao and Taiwan submarine cable systems.<sup>5</sup>The PEACE submarine optical cable system is a landmark project. It bypasses the traditional sub-

<sup>5</sup> Ministry of Commerce of the People's Republic of China. China E-commerce Report 2022. Beijing; 2023 Jun 9. URL: <https://images.mofcom.gov.cn/dzsws/202306/20230609104929992.pdf> (In Chin.); China Academy of Information and Communications Technology. Report on China's participation in international submarine cable construction and protection. Beijing; 2025 Mar 24. URL: <https://www.caict.ac.cn/kxyj/qwfb/ztbg/202503/P020250324487194932705.pdf> (In Chin.).

marine cable route dominated by the United States and provides the shortest communication route from China to Europe and Africa through the cross-border land optical cable connection between China and Pakistan, breaking the monopoly of Western countries on global Internet infrastructure. In terms of 5G and mobile communication, China has built and opened a total of 4.758 million 5G base stations, and the total computing power of data centers ranks second in the world. The focus of construction has been towards deep coverage, quality improvement and application integration.<sup>6</sup> The construction of computing infrastructure covers data centers, cloud computing platforms and supercomputing centers. As a satellite navigation system independently developed by China, BeiDou Navigation Satellite System (BDS) has been promoted and applied in more than 130 countries and regions, becoming an important space infrastructure of countries along the route, providing receiving countries with a technology stack independent of Western global positioning systems, and promoting the integration of civil and military data. The integrated infrastructure covers smart cities, smart transportation and industrial Internet. Huawei has built smart city projects in Malaysia, Thailand and other places, providing overall solutions including cloud computing, the Internet of Things and big data analysis, and exporting China's urban governance concept. Innovation infrastructure encompasses joint laboratories and technology R&D centers, cultivating local digital talent for partner nations and serving as a cornerstone for sustainable development.

### Soft Connectivity of Rules and Standards

Soft Connectivity shapes a digital governance ecosystem that is beneficial to China through the output of rules, standards and mechanisms. At the macro level, "soft connectivity" seeks the greatest common denominator with the digital strategies of partner countries. At the bilateral level, the construction of the Digital Silk Road is deeply connected with national strategies such as Indonesia's "Golden Indonesia 2045," Saudi Arabia's "Vision 2030," and Uzbekistan's "Digital Uzbekistan 2023." Through signing memorandums of cooperation and establishing institutionalized policy coordination frameworks, this alignment creates synergistic policy effects and a multiplier effect<sup>[3]</sup>. At the multilateral level, China actively promotes international discussions on digital governance issues under multilateral plat-

<sup>6</sup> People's Daily. China's total number of 5G base stations reached 4.758 million by the end of October. 2025 Dec 3. URL: <https://cpc.people.com.cn/n1/2025/1203/c64387-40616332.html> (In Chin.)

forms such as the Shanghai Cooperation Organization and regional cooperation such as China-ASEAN, and further strengthens the density of strategic coordination. The focus at the micro level is to promote the gradual compatibility of rules in key areas under the premise of respecting the sovereignty and security of all countries. The Network Security Law and the Personal Data Protection Law passed by Vietnam in 2021 are highly similar to the Chinese framework in terms of data localization requirements and key information infrastructure protection [4]. This convergence is not achieved through coercive means, but gradually penetrated through "soft" methods such as technical cooperation and legislative consultation. More innovative is the exploration of digital trade rules under the RCEP framework. Although RCEP has not completely abolished the requirements for data localization, it has set up a flexible arrangement of "prohibition in principle — exception clause", allowing developing countries to set up transition periods, forming a rudimentary developmental digital trade rules that are more inclusive than the CPTPP [5]. In terms of the promotion of technical standards, the computing power network framework standard (Y.2501) led by China Telecom was officially adopted at the meeting of the Telecommunications Standardization Department of the International Telecommunication Union in July 2021, marking a leap from communication standards to computing power governance standards, and promoting it to countries along the route through project implementation.<sup>7</sup>

### "Heart Connectivity" through Development Narratives

The essence of "heart connectivity" is to realize the progression from individual emotions to collective identity through the layered transmission of narrative. Emotional resonance focuses on creating a sense of closeness and familiarity through multi-field and multi-subject personnel exchanges and cultural interaction. Huawei's "Future Seed" plan and relevant ICT colleges, Alibaba's digital talents and cross-border e-commerce training and other projects carry out short-term training, exchange and online courses for college students and entrepreneurs from countries along the route. Upon returning home, these young elites become the backbone driving digital transformation in their nations. Relevant activities frequently touch people's daily

<sup>7</sup> The Paper; China Telecom. Breakthrough: first international computing-power network standard led by China Telecom Research Institute approved. 2021 Jul 24. URL: [https://www.thepaper.cn/baijiahao\\_13726907](https://www.thepaper.cn/baijiahao_13726907) (In Chin.)

life, realize the initial accumulation from information contact to emotional goodwill, and build indispensable trust and social capital. The cognitive layer forms a common understanding of digital transformation through systematic knowledge sharing and co-construction of capabilities. China's "Digital Silk Road" directly imparts skills and knowledge to partner countries by establishing 34 "Luban Workshops" across 30 countries and regions worldwide, setting up multidisciplinary Belt and Road joint laboratories, and building the "Digital South" cooperative brand to cultivate local skilled talent. Normative internalization means that ordinary people truly feel the value brought by digital cooperation in daily life, and form long-term identification and moral support on this basis, which is the final ruler to test the effectiveness of "soft connectivity". The implementation of 100 "small and beautiful" people's livelihood projects in countries along the route is the concentrated embodiment of this concept. Compared with large-scale infrastructure, these projects for smart medical care, online education, digital poverty alleviation and other fields can improve people's quality of life more directly and rapidly, so that digital dividends are no longer an abstract concept, but a concrete sense of gain, and finally establish a credible, friendly and respectable image of China in the hearts of the people.

### **COMPETITIVE COMPARISON OF SOFT POWER EFFECTS**

#### **Structural Differences in Competition**

Chronologically, the Digital Silk Road emerged in the early 2010s and accelerated with the advancement of the Belt and Road Initiative. The India Stack, meanwhile, is an emerging strategy that has been systematically developed since 2020, exhibiting distinct characteristics of latecomer catch-up. Second, China follows a heavy-asset diffusion model centered on infrastructure and industrial systems; India follows a light-asset diffusion model centered on digital public infrastructure and governance systems. Third, China emphasizes unified planning, system integration and scale effect; India focuses on modular design, interoperability and gradual implementation. Fourth, China has a strong presence in Southeast Asia, Central Asia and Africa; India has gained more recognition in neighboring countries in South Asia, African English-speaking countries and Pacific island countries. The underlying logic of the competition between the two lies in the different nature of resources: China's export of scarce material resources mainly generates soft power through resource dependence; India exports digital public products and knowledge frameworks, mainly

generates soft power through knowledge sharing and normative attraction.

#### **Comparison of Technical Pathways**

China's competitive advantage lies in: the world's leading equipment supply, providing a complete ecosystem from 4G/5G to backbone optical cables; the rapid promotion of smart cities and security systems; cross-border e-commerce, payment and logistics platforms form an ecological closed loop. This all-round coverage makes it easy for the receiving country to form a deep dependence on China's standards and technology paths. Competitive disadvantages include: long project cycles and are greatly affected by international political risks; infrastructure requires large-scale financing, which is easy to trigger debt discussions; and some countries are concerned about data security or political dependence. India's competitive advantages include low costs, low barriers to entry, and rapid scalability. The implementation cost of MOSIP is one order of magnitude lower than that of commercial digital identity systems. It places high emphasis on privacy protection and transparent governance, stressing "data minimization, user control, and consent management." Its adaptability is highly context-dependent, making it suitable for countries with existing digital infrastructure that require governance optimization. India's competitive disadvantages include a lack of independent hardware supply capabilities, an inability to provide a full-chain system encompassing hardware, platforms, and industrial chains, and an inherent hybrid model of "standard exportation coupled with technology outsourcing." While its internet industry is strong, its manufacturing capacity is limited, making it difficult to compete head-on with China in the infrastructure sector.

The Chinese model has created a strong "path-locking" effect: once Huawei or ZTE network equipment is adopted, subsequent upgrades, maintenance and expansion often require continuous reliance on Chinese suppliers; the Indian model provides more "technical sovereignty" on the surface, and the open source code allows the receiving country to carry out localization, but the actual operation still needs the continuous support of technology companies. The Chinese model involves large amounts of money, which usually requires sovereign loans or preferential financing, which poses hidden dangers for debt sustainability problems; the deployment cost of the Indian model is relatively low, mainly software licensing, technical training and system integration costs, but the economic driving effect is relatively limited. The Chinese model is often accompanied by a complete industrial chain output,

from equipment manufacturing, network construction to application development to form a relatively closed but self-sufficient ecosystem; India relies on international cooperation and multilateral institutions, and the promotion of digital public infrastructure usually requires cloud services from American technology giants such as Microsoft and Amazon. The combination of business improves compatibility and weakens independence and competitive advantage at the same time.

### **Institutional and Regulatory Competition**

In terms of the concept of digital sovereignty, China emphasizes the national jurisdiction over data flow and cyberspace, and countries have the right to choose the Internet governance model according to their own national conditions. India adopts the middle path of integrating East and West, on the one hand, drawing on the EU's General Data Protection Regulation (GDPR) to emphasize the protection of personal data, and on the other hand, absorbing the emphasis on data mobility in the American model.<sup>8</sup> However, the Digital Personal Data Protection Act passed in India in 2023 actually gives the government extensive immunity and lacks privacy protection rules. In cross-border data transmission, China tends to have a restrictive mechanism, requiring important data to be stored in China and assessed for security before leaving the country. Although India also implements data localization policies, especially payment and financial data, it emphasizes "interoperability" and "portability" in external promotion, trying to create a more open image. India's Aadhaar system emphasizes "minimizing data collection" and "use limitation", but has been criticized for data leakage and functional spread.

### **Digital Narrative Competition**

China's development narrative emphasizes digital modernization, laggard advantages and speed, and describes China's transformation from a "digital depression" to a "digital power" as a replicable miracle of development. In terms of value narrative, China emphasizes the principle of non-interference in internal affairs and respect for the network sovereignty of all countries, and upholds the concept of joint consultation, joint construction and sharing. However, as Sino-American competition intensifies, China risks being labeled by the West as practicing "digital authoritarianism" or setting "debt traps," thereby undermining the international

<sup>8</sup> Comparing India's Personal Data Protection Act with global data protection regulations. URL: <https://securiti.ai/india-digital-personal-data-protection-act-vs-gdpr/>

appeal of its Digital Silk Road[6]. India's development narrative is based on how its digital public infrastructure can achieve inclusive development. According to India's official data, UPI has officially surpassed Visa in July 2025 to become the world's largest real-time payment system.<sup>9</sup> India also builds a positive narrative of local innovation capabilities by showing the leap in its global innovation ranking (from 81st to 38th).<sup>10</sup> In terms of value narrative, India has packaged digital success as "the digital transformation of the world's largest democracy", emphasizing the modernization of digital governance without compromising the democratic system and civil liberties. However, the Indian government's frequent bans on social media and online surveillance of critics have weakened the credibility of the value narrative. Future competition will depend on who can more effectively transform technical advantages into value legitimacy and governance demonstration.

### **Variations in Acceptance Across the Global South**

The key to competition is not who replaces whom, but who is more adaptable in different countries.

The stage of economic development significantly affects the acceptance rate. The least developed countries are facing serious digital infrastructure gaps and often pursue rapid modernization, while China has become the first choice to solve "hard demand" with its cost-effectiveness and financing advantages. Middle-income countries already have basic digital infrastructure. At this stage, the need is to optimize digital governance and improve service efficiency. The Indian model can meet the "soft needs" of its development and upgrading stage.

Geopolitical preferences are an important variable. In South Asia, small countries such as Bhutan, Nepal and the Maldives have to consider political relations with India in digital technology options, even if China may provide more favorable conditions. On the contrary, in Pakistan, digital infrastructure projects under the framework of the China-Pakistan Economic Corridor almost completely exclude India's participation. In Africa, countries that do not have special political ties with China or India often adopt "hedging strate-

<sup>9</sup> International Monetary Fund. Growing retail digital payments: The value of interoperability.. URL: <https://www.imf.org/en/Publications/tech-notes/Issues/2025/07/20/Growing-Retail-Digital-Payments-The-Value-of-Interoperability-544119>

<sup>10</sup> According to WIPO's annual reports, India's ranking has risen steadily from 81st in 2015 to 39th in 2024, reaching 38th in the latest 2025 data. World Intellectual Property Organization. Global Innovation Index 2025.. URL: <https://www.wipo.int/web-publications/global-innovation-index-2025/en/gii-2025-results.html>

gies” and receive digital technical assistance from both countries to balance external influences. Countries that maintain close security relations with the United States are influenced by Washington in terms of digital technology choices and tend to avoid the Chinese plan and turn to India or other alternative options. The “Clean Network” initiative promoted by the United States clearly requires allied countries to exclude Chinese suppliers, creating a window of opportunity for the Indian model. On the contrary, countries that oppose Western hegemony and seek multipolarity regard China’s digital technology as an option to get rid of dependence on Western technology.

Judging from the development trend, more and more “Global South” countries cooperate with China and India in different fields to form a pragmatic hybrid adoption strategy to avoid simply imitating the needs of the Western or Asian major power model, which reflects the enhanced strategic autonomy of “Global South” countries in the digital age, and also foreshadows the digital competition between China and India. More will shift from the competition of alternative models to the competition of complementary solutions. It is worth noting that developed countries such as France and Germany have praised the Indian model, which reflects that the Indian model has cross-system attractiveness in specific technical areas (such as payment), but does not mean accepting its governance philosophy. The fundamental determinant of acceptance is that when developing countries pay more attention to capacity building, the Chinese model is superior; when they pay more attention to institutional autonomy, the Indian model is more attractive.

### FUTURE OUTLOOK AND CONCLUSIONS

The structural basis of the coexistence situation is that the two serve different levels of digitalization. First of all, it comes from the complementary functions of the two, and technically there is a cooperation space of “Chinese wine in Indian bottles”. In terms of infrastructure, China’s comparative advantage is difficult to shake in the short term; in terms of application platform, the Indian model has unique value in the digital governance stage because of its relatively low cost, high flexibility and strong institutional compatibility. This vertical division of labor may give rise to a hybrid model of “Chinese hardware + Indian software”, especially in middle-income countries that pursue diversification of technology sources. Secondly, economic complementarity also supports coexistence. Indian overseas remittances rely on Chinese investment and exist in

Southeast Asian and African markets. Finally, the two models of China and India are not absolutely opposite, but learn from each other’s strengths and make up for each other’s shortcomings while maintaining their respective core advantages.

The competitive situation will continue to intensify in key areas. First, the digital payment field. China’s digital RMB internationalization strategy forms a direct confrontation with India’s UPI global expansion, both of which are trying to establish a cross-border payment network with its own technology as the core in the global south. Second, the dimension of data center and cloud service. With the popularity of data localization requirements, countries need to establish data storage and processing capabilities locally. China’s Alibaba Cloud, Huawei Cloud and India’s Tata Consulting Services and Infosys will compete in the African and Latin American markets. Third, the competition between rules and standards will become more and more fierce. China has put forward the Global Data Security Initiative, the Global Data Cross-Border Flow Cooperation Initiative, the Global Artificial Intelligence Governance Initiative, etc., to provide Chinese wisdom for the formulation of global digital rules. India participates in the shaping of global digital rules by advocating “free flow of data and trust” and showing the effectiveness of the India stack. The power to set standards will determine the power structure of the future digital ecosystem. McKinsey’s “Technology Trend Outlook 2025” report pointed out that “the future competition is no longer the breakthrough of a single technology point, but the competition of ecosystems, talent systems and values”.<sup>11</sup> This means that the digital competition between China and India will increasingly appear as an all-round and multi-level ecosystem competition, covering multiple elements such as technological innovation, policy environment, talent training, and capital investment.

Under the dual situation, the “Global South” countries are no longer passive recipients, but increasingly become active strategists, shaping a digital development path that meets their own needs through selective adoption, localization adaptation and creative integration. The future of digital competition between China and India depends not only on the technological and institutional innovation of the two countries, but also on how the “Global South” countries exercise strategic autonomy in this digital game.

<sup>11</sup> McKinsey & Company. Technology trends outlook 2025. 2025 Jul 22. Available from: <https://www.mckinsey.com/capabilities/tech-and-ai/our-insights/the-top-trends-in-tech>

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