US–China Conflict: What Challenges Does Pakistan Face?

Research Paper

Abstract

The intensifying strategic competition between the United States and China is reshaping the international political and economic order. As Washington and Beijing compete over trade, technology, security, maritime influence, and global institutions, countries with close relations with both powers face increasing pressure to balance their interests. Pakistan is particularly exposed because of its long-standing strategic partnership with China and its historical economic, diplomatic and security relationship with the United States. This paper examines economic and trade pressures, CPEC, diplomatic balancing, security and regional stability, and Pakistan's strategic autonomy. It argues that Pakistan's most sustainable approach is pragmatic strategic balancing: maintain constructive relations with both powers, diversify markets and investment, and strengthen domestic economic capacity.

1. Introduction

US–China strategic competition has become a defining feature of contemporary international politics. The rivalry now extends beyond trade into technology, supply chains, military power, maritime security and global institutions. Pakistan is especially exposed because it has a deep strategic partnership with China while also maintaining significant economic and diplomatic ties with the United States. Pakistan and China continue to advance CPEC 2.0, while U.S.–Pakistan trade remains economically important. The central question is whether Islamabad can preserve productive relations with both powers while protecting its national interests and strategic autonomy.

2. Research Objectives

The study aims to examine how US–China competition affects Pakistan's foreign policy; assess Pakistan's relationships with China and the United States; identify economic, diplomatic and security challenges; examine implications for CPEC; and propose policy options for maintaining strategic autonomy.

3. Research Questions

RQ1: How does increasing US–China strategic competition affect Pakistan's foreign policy? RQ2: What economic challenges can Pakistan face? RQ3: How could rivalry affect CPEC and Pakistan–China economic cooperation? RQ4: What diplomatic and security pressures could Pakistan experience? RQ5: What strategy can Pakistan adopt to maintain beneficial relations with both powers?

4. Research Methodology

This research uses a qualitative analytical approach based primarily on secondary sources, including official government statements, international economic data and geopolitical research. Comparative analysis is used to evaluate Pakistan's relationships with both China and the United States. The analysis covers developments available up to September 2026.

5. Literature Review

Existing research highlights Pakistan's strategic importance because of its geography, relationship with China, proximity to Afghanistan and Iran, and historical partnership with the United States. Studies of CPEC emphasize infrastructure, connectivity and economic development, while strategic research also examines the geopolitical significance of Gwadar and Chinese port projects. The literature suggests that Pakistan's exposure to US–China competition is simultaneously economic, diplomatic, strategic and security-related.

6. Nature of US–China Strategic Competition

The rivalry has several dimensions. Economic competition includes tariffs, supply-chain restructuring and investment restrictions. Technology competition covers semiconductors, artificial intelligence, telecommunications and advanced technologies. Strategic competition includes military power, maritime security and Indo-Pacific influence. For Pakistan, these trends can affect trade, technology choices, investment and regional security even when Pakistan is not directly involved.

7. Pakistan–China Strategic Relationship

Pakistan and China describe their relationship as an All-Weather Strategic Cooperative Partnership. Cooperation spans politics, defence, security, infrastructure and economic development. CPEC remains a flagship component, and recent bilateral discussions have emphasized CPEC 2.0, Gwadar, trade, investment, industrial development and connectivity. This partnership gives Pakistan important strategic and economic advantages but can also complicate relations with Washington if US–China rivalry intensifies.

8. CPEC and the Economic Dimension

CPEC offers opportunities in infrastructure, energy, logistics, industry, agriculture, technology and regional connectivity. Pakistan and China have emphasized moving toward CPEC 2.0 with stronger commercial and productive activity. The challenge is that deeper US–China rivalry may cause CPEC-related projects to be viewed through a geopolitical lens. Pakistan should therefore maximize the economic and commercial character of CPEC and encourage wider international participation.

9. Economic Challenges for Pakistan

Pakistan faces risks involving trade access, global supply-chain disruption, technology restrictions and investment uncertainty. The United States remains an important market, while China remains central to infrastructure and investment ambitions. Pakistan could benefit from supply-chain diversification only if it improves infrastructure, regulation, skills and political stability. Technology fragmentation could also increase costs and complicate digital development.

10. Diplomatic Challenges

Pakistan may face pressure over Taiwan, the South China Sea, technology controls, sanctions, trade restrictions, Indo-Pacific security and strategic infrastructure. A closer alignment with one power could damage relations with the other. As rivalry becomes more intense, Islamabad will need increasingly sophisticated diplomacy to protect room for manoeuvre.

11. Gwadar and Strategic Geography

Gwadar's location on the Arabian Sea gives it strategic significance. Pakistan and China emphasize its role as a regional connectivity hub. Strategic importance should not automatically be interpreted as military use. Pakistan's challenge is to ensure that Gwadar becomes commercially productive while managing international perceptions surrounding its geopolitical location.

12. Security Implications

US–China competition interacts with an already complex South Asian security environment involving China, India, Pakistan and the United States. CPEC projects also create security responsibilities. Incidents affecting Chinese personnel or infrastructure can have consequences for Pakistan's wider diplomatic and economic environment.

13. Strategic Autonomy

Strategic autonomy means retaining enough freedom to make foreign-policy decisions according to national interests rather than being compelled by a major power. China offers strategic partnership, CPEC and defence cooperation, while the United States offers access to a major market and opportunities in trade, investment, technology and education. Pakistan therefore has strong incentives to avoid an exclusive alignment.

14. Policy Recommendations

Pakistan should diversify export markets; make CPEC more commercially and economically sustainable; encourage third-party investment; maintain constructive relations with the United States; avoid becoming a frontline state in great-power competition; and strengthen domestic economic, technological and institutional capacity. These steps would increase resilience and foreign-policy flexibility.

15. Findings

The study finds that Pakistan is structurally exposed to US–China competition; CPEC is both an economic opportunity and a geopolitical sensitivity; economic diversification is essential; diplomatic balancing will become more difficult; and strategic autonomy ultimately depends on domestic economic and institutional strength.

16. Discussion

US–China rivalry presents both risks and opportunities. Pakistan could face pressure over CPEC, technology and trade, but global supply-chain diversification may create investment opportunities. Pakistan's geography can support connectivity among China, Central Asia, South Asia and the Middle East if infrastructure, security and competitiveness improve. The key is converting geopolitical relevance into sustainable economic benefit.

17. Conclusion

Pakistan’s most viable strategy is pragmatic strategic balancing. Islamabad should maintain strong relations with China while preserving constructive engagement with the United States and other major economies. It should diversify trade and investment, strengthen CPEC’s commercial foundations, improve domestic economic capacity and avoid allowing its territory or strategic infrastructure to become a center of great-power confrontation. Ultimately, Pakistan’s ability to navigate US–China competition will depend on the strength of its own economy and institutions.

References

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