



Vol. 4 No. 1 (January) (2026)

US –China Rivalry Its Implications For India And Pakistan

Tariq Jamil

M.Phil. Scholar, Department of International Relations, Government College University Faisalabad, Punjab, Pakistan

Amber Sultana

Assistant Professor of Pak-Studies at Government Graduate College for Women Peoples Colony No 2 Faisalabad, Punjab, Pakistan

Dr. Imran Wakil

Assistant Professor (OPS), Department of International Relations, Government College University Faisalabad, Punjab, Pakistan

Dr. Bilal Bin Liaqat*

Assistant Professor (OPS), Department of International Relations, Government College University Faisalabad, Punjab, Pakistan Email: bilalbinliaqat@gmail.com

ABSTRACT

The growing competition between the United States and China has greatly redefined the strategy of South Asia especially in the context of India and Pakistan. This paper reviews the concept of great power competition, its effects on local politics, security alliances, and economic relations, using India and Pakistan as the examples of such countries. The US has grown stronger in its strategic relationship with India in terms of defense integration, economic integration, and mutual interests in regarding the Chinese regional interests and Indo-Pacific in particular. On the contrary, China has strengthened its strategic and economic relations with Pakistan, the most significant of which has been the China, Pakistan Economic Corridor, strengthening the role of Pakistan as a partner in the regional strategy of Beijing. The study examines the influence of these alignments on the regional stability, nuclear deterrence and diplomatic relations in South Asia. It also examines how India and Pakistan use their respective alliances to pursue national interests whilst running the risk of escalation and dependence.

Key Words: US–China rivalry, South Asia, India, Pakistan, regional security, great power competition

Introduction

The strategic rivalry between the United States and China that is becoming more and more tangible in South Asia is a product of the geopolitical situation that has been shaped by the last twenty years of rivalry between the two giants. This competition does not involve the manipulation of military strength only but expands into the fields of economics, technology, diplomacy, and influence in the region. A key strategic frontline has turned into South Asia with almost 2 billion inhabitants and located along some of the world busiest sea routes, through which approximately 80 percent of the global oil trade passes. To Washington and Beijing, the area will be a significant entry point to the Indian Ocean, the world economy and new markets. Their increasing competition is



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forcing the South Asian states to find out their way through new opportunities and strategic challenges as defined by the balance of power.

The US has been actively involved in South Asia over the decades. Since the year 2001, Washington has pumped over 40 billion dollars in the region mostly through security, development and counterterrorism programs. China, on the other hand, has made its involvement in the economy to a great extent. Under the Belt and Road Initiative, Beijing has invested more than 100 billion dollars in infrastructure, energy and connectivity infrastructure projects in South Asia such as large ports, railways, highways and industrial zones. This polarized form of involvement between the U.S. security relationships and the Chinese economic statecraft has resulted in a complicated rivalry context. To regional states, the U.S.-China competition is affecting all aspects of defence planning down to economic reforms. It drives governments to review their developmental plans, foreign alignments and even technology preferences and in many cases they have to weigh between rival external forces.

India has the worst position in this competition. The decision of India has a severe impact on the strategic situation as the most populated country in the world and the most powerful military in the region. The India- U.S defence trade has increased during the past two decades and is projected to reach over 20 billion dollars by 2024, almost zero in 2000. It has drones, naval systems and technologically advanced aircraft. The other important defence agreements that India has signed include COMCASA and BECA that have improved the sharing of intelligence and interoperability. These trends present big opportunities to India: the availability of the state of art technology, facilitation of maritime security in the Indo-Pacific, and political support to play a larger role in the world. The American investment in technology, defence and the digital infrastructure is also attracted to India by its economy worth over 3.8 trillion dollars. Still closer orientation with the U.S. is risky as well. India has more than 100 billion dollars of imports every year in China and thus, decoupling the economy is not easy. Moreover, the confrontations since 2020 in the area of the Line of Actual Control and, in particular, the fatal event in Galwan indicate how risky direct Sino-Indian conflict can be, with the Chinese military budget of more than 225 billion dollars per year being comparatively much higher than that of India (Kakar, 2024).

Pakistan on the other hand perceives China as an important ally to its future security and economy as well as political stability. The largest BRI investment in the world has been made by China in Pakistan and this is in the form of the China-Pakistan Economic Corridor whose total investment is over 62 billion dollars. Such projects have power plants that have contributed more than 5000MW to the Pakistani grid, new highways linking Gwadar to the rest of the nation and the development of the deep sea port itself. China also provides over 70 percent of all the major military equipment that is used by Pakistan including fighter jets to the naval frigates. In the case of Pakistan, the U.S. and China rivalry is an opportunity to enhance its relationship with Beijing both in relation to strategy and economy. Meanwhile, Pakistan still wishes to establish functional relationships with the United States. Nevertheless, the U.S has given more than 30 billion dollars of help to Pakistan since 2001 and it is still powerful because of the IMF and World Bank institutions. The problem of Pakistan is how to benefit the Chinese investment without compromising its position to maintain its stable relations with the U.S. whose support is the key to the economic stability and international legitimacy.

However, this also has serious implications on Pakistan. The high use of Chinese loans such as the billions borrowed towards CPEC is problematic in terms of sustainability of debts. China has a large share in the Pakistani external debt profile; it owes over 27



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billion dollars in China. Going too far in alignment with China would put the U.S. in danger of losing Washington particularly because the U.S. is gradually basing its foreign policy on rivalry with Beijing. Simultaneously, breaking its ties with China would jeopardize the infrastructure development and defence cooperation. Therefore, Pakistan needs to walk a thin line that would not jeopardize either of the relationships at the expense of its economic and strategic interests.

Literature Review

The article “Conflict between US and China: Challenges for Pakistan” explores the changing US-China rivalry and how they engage each other strategically to pose complex diplomatic, economic and security problems to Pakistan. It places the foreign policy of Pakistan in a historical perspective of transactional US relations and strengthening strategic and economic partnerships with China especially under CPEC. The dilemma that Pakistan has to strike a balance between economic reliance on China and the United States on security and trade relations is highlighted in the literature. It also reports that the strategic autonomy of Pakistan is limited by regional geopolitics, such as the alignment of the US and India as well as the rivalry between great powers. All in all, the research paper adds to the current literature by asserting a benevolent and fair-minded foreign policy towards ensuring the continuity of sovereignty in Pakistan as the US-China relations are continuing to grow tense (Fatima, Nasir, & sana, 2024).

The article “The Implication of the US-China Trade War on Pakistan” is a review of the existing literature in Sino-US rivalry and mentions that South Asia is an area that has not been shown to be a very explored field on the debate especially on the issue of Pakistan and India. It is based on the research that has focused on strategic balancing, hedging, and accommodation of smaller states in the context of great-power competition. The literature draws attention to the efforts of India to find a balance between relations with both US and China, taking economic opportunities like BRI and RCEP. It is also based on the studies that indicated that Pakistan has hedged particularly since the US involvement has declined and China has increased the economic and security support. Earlier studies also indicate that China has become a leading trade partner to South Asian countries and this has redefined the economic reliance of the region. In general, the article places itself as a contribution in the new body of literature by conceptually uncovering the connections between Sino-US contestation and South Asian foreign policy decisions (Ahmed & Gul, 2024).

The article “Strategic Conundrum of US-China and India-Pakistan: A Perspective” examine the strategic competition between the United States and China and place Pakistan in this dynamic great-power game. The literature surveyed in the paper shows that historically, the foreign policy of Pakistan has been predetermined by the security-based relations with the US and the continuously intensifying strategic and economic ties with China. Scholars underscore the fact that projects like CPEC have bolstered Sino-Pak relations but it has also heightened the American anxieties over control of the region. The paper is based on the previous studies stating that US-India convergence is another factor that makes the strategic environment of Pakistan even more complicated. In general, the literature notes that Pakistan has to seek a moderate and realistic strategy to protect its national interest in the light of the US-China rivalry that grows stronger (Ali, 2023).

Research Questions

Q1. How does the US–China strategic rivalry influence the foreign policy choices of India and Pakistan in South Asia?



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Q2 .In what ways have US and Chinese economic and military engagements shaped regional security dynamics between India and Pakistan?

Methodology

The study is based on a comparative case study method to analyze the way, in which the political, economic, and security relations of the two states are conditioned by the strategic rivalry between two great powers. The secondary data will be collected through relevant scholarly publications, policy briefs, and government reports, as well as reliable news articles, to gain a more accurate picture of the topic. Existing literature will be thoroughly examined to draw the patterns of the progression of the U.S. engagement with China and its relations with India and Pakistan. The content analysis is used to find out critical themes, which are economic investments, defense alliances, diplomatic orientations, and regional security issues. The study uses a geopolitical approach which also evaluates the role of strategic interests in the formulation of the policies of the great powers and regional powers in the need to determine how the great-power rivalry affects the stability and development of the South Asian region

Anatomy of US-China Rivalry

The current US strategy is not based on the Obama-era "Pivot" any longer, but a holistic system of integrated deterrence known as the Indo-Pacific Strategy. This entails intensive networking of military, technological and economic strength on a lattice of alliances. The QUAD (US, Japan, Australia, India) has evolved to be more than a diplomatic talk into a pool of viable cooperation deploying tools such as the Indo-Pacific Maritime Domain Awareness (IPMDA) to monitor dark shipping. More important is the AUKUS alliance, a technology-based partnership in which the US and the UK will help Australia to purchase nuclear-powered submarines (SSNs) a move estimated to cost up to 245 billion AUD (Australian dollars) in 30 years. The US is also improving its posture in the region and will have a Marine Littoral Regiment deployed to Okinawa and more frequent rotational aircraft and ship deployments. The latent motive is to counterbalance the Chinese benefits with the power of allies such as Japan (intended to increase defense budget to 2 percent of GDP by 2027), and the Philippines with which the US increased access to nine bases under its Enhanced Defense Cooperation Agreement (EDCA).

The Chinese approach is to both increase area-denial capabilities and economic leverage and diplomatic outreach to crack the US-led coalitions militarily, it has created the largest fleet of missile corvettes in the world (over 370 battle force, as opposed to 290 in the US Navy), as well as destroyers (such as the new Type 055) and a developing submarine fleet to control the Near Seas. The Belt and Road Initiative (BRI) as an economic instrument remains a key instrument, as the value of cumulative Chinese contracts reached over 1 trillion in 2013 but the lending process has lately been more selective. On the regional level, China aims to attract states into its circle with the help of the Regional Comprehensive Economic Partnership (RCEP) or diplomatic efforts, which depict China as a stabilizer as opposed to a disruptive US. Its Global Security Initiative is a competing vision of a security structure that does not include US unions, but focuses instead on bilateral relationships and use of conflicts to test the determination of the US (Tahir, 2024)

Three key hot spots are at risk of escalation .First, the Taiwan Strait where China has institutionalized military coercion by daily crossings of its Air Defense Identification Zone (ADIZ) by air and frequent blockade simulating exercises. The US is obligated under the Taiwan Relations Act to sell more arms and provide political encouragement



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including a visit to the high levels. Second, the South China Sea, which has been militarized by China by constructing artificial islands complete with runways, missile shelters and radar systems, even after a 2016 international tribunal decision ruled against its claims. The most recent conflicts include the water cannon attack on Philippine resupply operations and the conflicts with US spy planes. Third, the Line of Actual Control (LAC) with India is not smooth as the deadlock between both countries has been observed since the fatal Galwan clash in 2020 and both sides have positioned more than 50,000 troops in a high-altitude posture and continue to develop infrastructures on the border.

The essence of the rivalry is the competition in the field of technological superiority, which is considered the basis of economic and military influence. In semiconductor the US has been using blanket export restrictions to undermine development of the advanced chip capability of China, prohibiting the sales of state-of-the-art lithography equipment (such as the EUV machines of ASML) and powerful artificial intelligence chips of NVIDIA. China has in turn dedicated more than 140 billion dollars of its state subsidies towards constructing a self sufficient industry in chip production, but is still lagging years behind. The US led drive to lock out Huawei of international networks in 5G has been partial with the company still commanding a substantial market share in the Global South despite restrictions in its main allies. The fight has now moved to vital infrastructure (under the sea cables, cloud computing, and port control (or American companies hold large interests in ports such as Hamburg and Piraeus)) and to new areas, including quantum computing, biotechnology, and clean energy, where both countries are investing billions in research and are aiming to establish global standards.

Trapped in this game regional states such as the ASEAN members, South Korea and Australia have acute strategic dilemmas. The majority of them oppose a dichotomy as they want to preserve the economic relationship with China but use the US as the guarantee of security, which is becoming harder to ensure in the form of hedging. The weaknesses of ASEAN are its internal divisions that are evident in the failure to unanimously agree on the South China Sea. Concurrently, alliances are getting tighter both ways: the US-Japan-South Korea partnership in the trio collaboration has never been stronger, and China is developing connections with Russia (even joint naval patrols) and with Pacific Island states (e.g. Solomon Islands in 2022) with security agreements (Liaquat, Hassan, Sardar, & Habib, 2024).

Implications of India: Opportunities and Compounding Challenges

India has shifted to become an estranged partner of the US into a Comprehensive Global and Strategic Partnership. One of its pillars is the QUAD wherein India has been central in ensuring the Indian Ocean is secure. Cooperation has been transformed into not just talk but now real policies as the Indo-Pacific Partnership to Maritime Domain Awareness (IPMDA) is a venue that shares real-time information about the seas. Bilateral defense relations have shot into the sky, the US has become a big supplier of arms by agreements such as the 31 MQ-9B Sea Guardian drones purchase of 31 drones at a cost of \$3.9 billion and the growing defense market of over 20 billion. The enabling infrastructure of the interoperability is the foundational Logistics Exchange Memorandum of Agreement (LEMOA), Communications Compatibility and Security Agreement (COMCASA) and Basic Exchange and Cooperation Agreement (BECA), which enables communication security and sharing of geospatial intelligence. In particular, the US and India have engaged in such missions as Exercise MALABAR 2023 with Japan and Australia, and are co-producing defense equipment, such as GE F414 jet engines to power Tejas Mk2



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fighters.

The unresolved Line of Actual Control (LAC) conflict is still the main security dilemma of India, and the 2020 conflict in Galwan essentially changed the relationship of both countries. Each side has over 60,000 troops in high-readiness standoff, which makes the border the most militarized in the world. The huge construction of infrastructure on Tibetan Plateau by China such as creation of new villages, airfields, and rail networks is an irreversible problem. Further afield, the growing presence of China in the Indian Ocean under its so-called String of Pearls approach (port in Hambantota, Sri Lanka, access to the Gwadar military base, Pakistan and access to Djibouti) threatens the Indian regional primacy directly. The growing relations between China and Pakistan, of which the China-Pakistan Economic Corridor (CPEC) is worth 62 billion dollars and transmitted through the Indian disputed land, only makes the situation of India being encircled by strategic powers even more serious (Ali, 2023).

India has a complicated economic trilemma. It aims to have the advantages of the global supply chain diversification (China+1) that is the attraction of such manufacturers as Apple, which currently produces more than 14% (about 1 in 7) of its iPhones in India. Nevertheless, there is no practicality in economic decoupling of China, and the bilateral trade reached a historic peak of 136.2 billion in 2024, and India has a huge balance of trade deficit of over 100+ billion, where it imports essential machinery, electronic and pharmaceutical components. The production linked incentive (PLI) program, a 1.97 lakh crore (about 26 billion) scheme, is an industrial element of the atmanirbhar bharat (self-reliant India) mission, to develop domestic capacity in industries including semiconductors to solar modules. This is aimed at putting India into global value chains and also cutting off critical dependencies, a fine line of balancing between protectionism and global integration (Ali U. Z., 2023)

Facing a two-pronged challenge, India is seeking an expensive and desperate military modernization. It has raised its defense budget to ₹6.21 lakh crore (\$74.8 billion) in FY25 with a high part of it allocated to capital procurement of both local and foreign systems. The major local projects are TEJAS MK-1A fighter, Arihant nuclear submarines and the INS Vikrant aircraft carrier. In addition to the US platforms, India is also diversifying its suppliers by buying such equipment as the S-400 missile systems of Russian origin (5.4 billion) even though the US may impose sanctions on India through CAATSA. Security cooperation is not restricted solely to the US but to so-called Mini-laterals such as India-France-Australia trilateral, or I2U2 (India-Israel-UAE-USA) with regional security and technological cooperation.

The main foreign policy issue facing India is how to take advantage of Western alliances to their strategic advantage without having to be an allied nation, thus maintaining their freedom of action. This is reflected in its subtle signs: it has actively engaged the QUAD but has not joined military alliances such as NATO or criticized the Russian war in Ukraine but continued to buy Russian oil in great quantities at a discount of more than 30 percent of its imports. It interacts with anti-China structures such as the Blue Dot Network as well as it is a part of China-led bodies such as the Shanghai Cooperation Organisation (SCO) and BRICS. Multi-Alignment doctrine can enable India to work with the US in the Indo-Pacific, Europe in technology and climate, and Russia and Iran in greater network access and energy security, always adjusting its strategy depending upon issue-based convergence and not bloc politics (Khan, 2023)

Implications to Pakistan: Asymmetric Alliance and Economic Dependence

The growing US-China competition gives Pakistan a set of bold, even opposing, demands. A set of facts of an unchangeable geographical presence, namely timeless and



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hostile rivalry with India, is the main determinant of its foreign and security policy. This relationship drains Pakistan into an increasingly, but unevenly, strategic relationship with China and at the same time, a transactional and weaker partnership with the United States at the point where both countries are in the midst of extreme distress and internal insecurity issues.

The relations between Pakistan and China have now been pushed to a new level of friendship between the two countries by transforming it into a more strategic and economic alliance, with China-Pakistan Economic Corridor as its fixed point. CPEC, being the flagship project of the Belt and Road Initiative in China, is an investment pipeline initially estimated to be about 62 billion. As of the end of 2023, officials estimated that more than 25.4 billion had been directly invested, loaned or given as grants under the CPEC framework since 2013 and 21 of 49 priority Early Harvest projects had been completed. CPEC has evolved a different security facet beyond the infrastructure. The bilateral trade is, however, still highly skewed, reaching 20.5 billion in 2022-23 but where Pakistan is importing 18.9 billion and is exporting only 1.6 billion. The military cooperation is enhanced by the fact that Pakistan has recently purchased more than 140 JF-17 fighters that were jointly produced with China and the recent procurement of four Type 054A/P frigates which have been built in China and installed in the Pakistani navy, vastly improving its capability in the blue seas (Afridi, Anjum, & Abbas, 2022)

At the same time, the historically critical partnership between Pakistan and the United States has been damaged into a one-sided relationship of mutually beneficial interests. US security aid has dropped, with a high of more than \$3.5 billion in 2011 under the Coalition Support Fund to below a hundred million dollars per year in the recent years. The US is still the largest export market of the goods in Pakistan with the bilateral trade being 9.1 billion in the year 2022; yet, this is compared to nothing compared with the depth of the China relationship. To the degree of over 20 billion of defense trade, the US is evolving a strategic convergence with India, which is seen in Islamabad as a direct threat, and contributes to the view that China is the only strategic counterbalance the state can rely on. Another indication of this change is the opinion of the population; a 2023 survey conducted by Pew Research only 13 percent of Pakistanis stated that they liked the US.

This high dependence on China is associated with a lot of economic risks, the major risk being on debt sustainability and external account pressures. As of December 2023, the gross external debt and liability of Pakistan was 131.2 billion. The debt to Chinese commercial banks and government institutions is a sensitive part, estimated to amount to about 30 billion dollars, including the debt of the energy sector of 14.2 billion, just in the CPEC. The repayment of this debt and especially as the nation goes through another International Monetary Fund bail out scheme, the latest being a 3 billion Stand-By Arrangement in 2023, it needs the delicate balancing of the economy. The high debt to GDP ratio that has lingered at about 75 percent and its foreign exchange reserves that have often dropped below the amount required to cover 1 month of imports are some of the indicators that Pakistan is in a very bad financial situation. Although Beijing has been offering desperate financial assistance as rollovers and other deposits, a loan rollover of 2.4 billion dollars in 2023 and a safe deposit of 4 billion dollars, this reliance restricts the policy independence of Pakistan.

Pakistan has been aligned in terms of security to counterbalance the Indian threat at the expense of internal stability. The main concern of the military is conventional and nuclear deterrence towards India. It is estimated that Pakistan has about 170 nuclear



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warheads and has a defense budget of 7.5 billion dollars in 2024-25 which is highly tilted towards this competition. Nevertheless, there is an ongoing internal security challenge even as this outside focus is present. According to the 2023 data provided by the Pakistan Institute for Conflict and Security Studies, a catastrophic 80 percent increase in the violence-related deaths was recorded in 2023, the largest number of militant attacks since 2017. The special attention of China towards a stable Pakistan has seen active participation in the form of the establishment of a special military division of 15,000 troops to secure CPEC and the completion of joint counterterror drills after any attack on the Chinese on their soil, such as the 2023 suicide bombing that killed five engineers in Bisham (Arshad & Arshad, 2023).

Pakistan is diplomatically walking on thin ice. It has to juggle the relationship it cannot do without with Beijing and trying to sustain an operational relationship with Washington. At the same time, it aims at strengthening its position in the Islamic world to support its economy. Saudi Arabia and the UAE have given essential financial life lines of which Riyadh has deposited more than 2 billion with the State Bank of Pakistan and UAE had promised additional investments. The defence cooperation with Turkey includes a 4-MILGEM-class corvettes deal worth 1.5 billion dollars in Pakistan as well. This multi-vector diplomacy is supposed to reduce the risks of excessive dependence, and the underlying asymmetry is evident: China took 28.5% of the total imports of Pakistan in 2022-23, as opposed to 6.7% of the US. The severity of its economic disaster, where inflation has risen to over 29 percent in 2023 and the level of poverty has risen to an estimated 39.4 percent, frequently places Pakistan with little space to manoeuvre in anything substantive and places it on a course that is strongly shaped by the outlines of the wider US China confrontation (Zulfqar, 2022)

Conclusion

The rivalry between the US and China has changed the strategic environment of both India and Pakistan radically and irreversibly but in diametrically opposite directions. To India, this has been a historic strategic opportunity. India has been able to establish itself as a must have or swing state, or net security provider in the Indo-Pacific by using its geopolitical weight, democratic credential, and market potential. This multi-alignment policy that entails strengthening security and technology relations with the United States and its allies via the Quad and still retaining key economic and diplomatic contacts with Russia and (to a needed degree) China has provided it with unparalleled strategic space, diplomatic power, and access to new military technology. This has placed it in a better position to counter its main rival, China despite the unstable border stand off. By contrast, the strategic choices in Pakistan have been reduced to a point that has led to the creation of an ever growing, lopsided reliance to China. As much as the China-Pakistan Economic Corridor and military alliance provide essential economic resources and counterbalance to India, it has also made Pakistan more financially vulnerable and diminished in its capacity to engage in independent diplomatic affairs as its relationship with the US has been reduced to a matter of fragility and transactionalism.

The long-term consequences of these divergent directions are far-reaching and self-supporting. The multi-alignment activities of India are proactive, which promotes the integration of the Indian economy with western and Japanese capital and technology, which may trigger its emergence as a global power. Although it was a strategic Bandwagoning, which offered short-term security and economic liberation, Pakistan runs the risk of becoming trapped in a perpetual debt and dependency cycle that would restrain its economic independence over time and its ability to relate with other



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influential West and Gulf partners. This difference only increases the power disparity between the two competitors. The increasing number of alliances that India has formed increases its traditional and strategic strengths, and Pakistan being a patron of one party, however a strong one, makes its security more fragile and dependent on the will of Beijing. The competition therefore serves as an amplifier of the capabilities of India as well as a curtailment factor to the strategic freedom of Pakistan.

To guarantee the stability of the region, the US-China rivalry has added a new tension to the already tense strategic environment, whose nature is volatile. It has successfully integrated the India-Pakistan conflict into the wider systemic struggle, leaving little space to bilateral compromise since each conflict is an inkling of a great power political influence. The stagnation of the SAARC and the emergence of other exclusionary regional forums such as BIMSTEC (which India prefers) are some signs of how cooperation even at the regional level has become a casualty. Also, the competition encourages arms-racing and complicates the process of conflict resolution and heightens the chances of miscalculation, especially to the volatile flashpoints such as Kashmir or the marine domain. This is being replicated in the case of Afghanistan after 2021, where US, Chinese, Indian, and Pakistani interests have been clashing, instead of combining their efforts to reach peace.

To conclude, the rivalry between US and China did not invent the India-Pakistan conflict but has certainly altered its setting, dynamics and possible scenarios. It has given India choices and partners and put Pakistan under restriction, further separating them. The final solution to the subcontinent lies not only in the decisions made in New Delhi and Islamabad but also on the level of restraint or aggression of Washington and Beijing. A regulated, zero-sum game between the superpowers may allow regional states to negotiate their relationships; the free market, zero-sum game would end up making South Asia a permanent proxy war, local conflicts escalated into international ones, at the cost of the security, and prosperity of all its citizens.

Policy Recommendation

For India

Strengthen the Non-Military Pillars of the QUAD: Although security cooperation is of paramount importance, India must become the leader on the QUAD agenda of climate action, humanitarian assistance/disaster relief (HADR), cybersecurity, and critical infrastructure (undersea cables, Open RAN networks). This creates a favorable non-confrontational regional value proposition, which is more difficult to counter by others.

Take the Initiative to Manage Russian Relationship: Diversify the defense imports by hastening the Make in India and alliances with the US, France, Israel and South Korea. Diplomatically, serve as a possible means of communicating between Russia and the West a certain regional question and maintain such relations without seeming like an inactive weak subject.

Invest in Neighbourhood First With Real Results: To neutralize Chinese influence and establish real goodwill, India should stop talking about it. Incorporating grids in the project, fast-track cross-border connectivity projects (e.g., with Nepal, Bangladesh), provide non-reciprocal trade benefits. It is important to eliminate possible leverage to China by settling border disputes with smaller neighbours (e.g., finalising the maritime boundary with Bangladesh).

Take a Leap to China+1: Transform beyond low-value assembly into the center of high-value production and R&D. Consider to win over the segments of the supply chain



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(precision machinery, active pharmaceutical ingredients, electronics components, etc.) with specific PLI programs as well as with competitive logistics and energy prices.

Forge "Coalitions of the Willing" in Tech Governance: Collaborate with neighbors like the EU, Japan and others to influence the world on data governance, digital trade, and AI ethics. This is an option to the US- or China-dominated structure and puts India on the level of rule-makers.

Focus on Asymmetric Capabilities: Since the China-India military expenditure gap is large, India must focus on asymmetric capabilities (cyber/space warfare, long-range precision strike (missiles), advanced submarine warfare, and electronic warfare) to increase the cost of aggression.

Forge Effective Crisis Communication Pathways with China: strive to institutionalize and intensify the current border management arrangements to ensure that tactical-level problems do not rise. There is also a need to have a military-diplomatic hotline, dedicated and with high level, to the Indian Ocean region.

For Pakistan

Advance "Economic Neutrality" as part of Strategic Alignment: Openly reiterate the necessity of the China partnership but privately seek less sustainable terms of CPEC: demand more equity investments (not high interest loans), technology transfer and joint ventures to increase exports to redress the balance of trade.

Reestablish a Functional and Interest Based Relationship with the US: De-hyphenate the relationship between India. Narrowly target areas of obvious mutual interest: climate change, citizen health, sharing intelligence against terrorism, and Afghanistan stability. Proactively pursue US investment in non-sensitive areas of the economy (agriculture, IT, energy) as an indication of openness.

Champaign Diplomatic Conflict Management with India: Suggest and follow a fresh ceasefire on the Line of Control (LoC). Re-resort to back-channel diplomacy in order to achieve small, achievable deals (e.g. on Kartarpur-like cross-border religious travel, normalization of trade in mutually beneficial goods) in order to develop incremental trust.

Cross-Party Consent to declare an Economic Emergency: Introduce long overdue structural adjustments: expand the tax base (agriculture, retail), privatize state-owned enterprises (SOEs) that make losses, and withdraw untargeted subsidies. This is necessary to end the IMF bailouts and allow space to make personal policy.

Multiply Sources of Foreign Investment: Vigorously attract investment by the Gulf (not only deposits and loans, also joint venture in refining, mining), Europe (GSP+ status) and East Asia (Japan, South Korea) to prevent excessive dependence of the economy on any single source.

Strategy: Irreversibly Demobilize All Militant Groups: Introduce a full national owned crackdown on all extremist groups regardless of their political direction. This is essential to internal security, to comply with FATF requirements forever and to restore international credibility, the pre-condition of the inflow of investment.

Change the Military Deterrence Paradigm to "Defensive Deterrence": Due to fiscal limitations, rearrange investments to cost-effective defensive systems (air defense systems, drone warfare capabilities), as well as internal security (instead of pursuing broad conventional parity with India).

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