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Sino-U.S. Strategic Rivalry and its Impact on Pakistan

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Abstract

Sino-US rivalry is intensifying and amid this strategic competition, South Asian middle powers, Pakistan is at a disadvantage as it has to make a hard choice between the two superpowers. This research paper aims to answer Islamabad's dilemma in this situation. For this objective, the study has taken a qualitative case-study approach to analyse Pakistan's relations with Beijing and Washington. The theoretical basis of the analysis is constructed on the bases of theories of Realism and Constructivism. In this strategic Sino-US competition, Pakistan does not need to be completely aligned or completely independent, but on the contrary it should pursue a pragmatic "hedging" approach, with the economic necessity of the CPEC as well as an "all weather partnership" with China, and at the same time a transactional relationship with the United States. The present foreign policy of Pakistan is pleasing towards the two major powers rather than following its doctrine of 'honesty and fair play'.

Keywords: Sino-US rivalry; Pakistan foreign policy; strategic hedging; CPEC, de-dollarization; power transition; Realism; Constructivism; Taiwan

Introduction

The world witnessed China's rise after 2015, both economically and militarily. China's economy has expanded at an official year-on-year rate of 5.0% during the first quarter of 2026 (Briefing, 2026). Moreover, the Chinese navy has deployed about 130 Core Frontline Warships to its South Sea fleet in the South China Sea. This aggressive stance also demonstrates China's Blue Water Navy capabilities (The Southern Theater, 2017). Beijing's growth has been so exponential in the last decade that it has started to defy the US led Liberal World Order (which is already in decay). China is now heading towards de-dollarization.

The recent Beijing Summit was the biggest highlight of this strategic rivalry. It clearly demonstrated the shift in the balance of power between the US and China. That shift was visible through the body language of US president Donald Trump who kept on praising Chinese President Xi Jinping while Xi remained cautious of his words. Moreover, Xi even warned Trump that Taiwan is a red line and any mismanagement will have dangerous consequences. The United States is trying everything it can to halt the progress of China but Beijing seems unstoppable now. Pressure is gradually growing on Pakistan as it tries to maintain its relations between the two Superpowers. Pakistan needs to decide whether to align itself with Beijing or with Washington or it will be crushed between the two Titans. Issues like this are not new to Islamabad but the intensity of the conundrum which Islamabad faces in the present scenario of great-power competition has increased to a great

extent. Ever since the mid-2000s, Pakistan has been trying to find a way to maintain its traditional security and economic ties with Washington and enhance its 'all-weather' relationship with Beijing (Ahsan, 2021). This balancing act proved possible in the period of mostly cooperative and interdependent US-China relations. But as the competition has matured into a "systematic contest" over the future of the Westphalian and Westernist international order, as Lukin (2023) calls it, the margins for such hedging have become significantly more limited. Pakistan's relationship with these two powers cannot be seen as parallel and non-competing anymore each one of them is a zero-sum game in the eyes of the other, and Islamabad's decisions are interpreted as signs of allegiance in Washington and Beijing and not as diversification.

The past can be instructive of the present in the context of US-Pakistan ties. The connection can be traced to Pakistan's Cold War connection with Washington through SEATO and CENTO, as well as periods of estrangement and re-engagement that were related to American South Asian and Afghanistan policy changes (see Gilani 2006). The pattern of this type of transactions, that is, warm relations during the times when Pakistan was useful to the US regional agenda and a cold relationship or sanctions when the agenda was fulfilled, has left Islamabad with a legacy of mistrust, embedded in the strategic culture. In this context, China's consistency as a partner, especially in China-Pakistan Economic Corridor (CPEC), has become extremely political. In contrast, Chinese investment and diplomatic support have been relatively stable, and Chinese support is viewed in Pakistan as the more reliable option than U.S. support (Khan & Amin, 2015).

"But there are also structural risks to relying on China." Boni (2021) sees Pakistan's predicament as a real hedging scenario: dependence on China's capital, debt, and infrastructure puts Islamabad at risk of being irretrievably caught up in Beijing's orbit, while at the same time, it is trying to attract IMF support, Western investment, and Washington's sympathy to prevent total economic isolation. This is further complicated by the fact the entire economic system in Pakistan is still tied to Western financial institutions and financial markets, even if the state has a pro-China ideology and strategy, it cannot easily de-link from the dollar-based system, against which Beijing is now trying to go against. This great power competition, Malik et al. (2026) say, has started to visibly influence Pakistan's foreign policy framework, compelling the successive governments to adopt a posture of calculated ambiguity, both because complete alignment and complete neutrality seem unattainable in view of the economic vulnerabilities and security dependencies of Pakistan.

These pressures are exacerbated by the regional dimension. The competition between the US and China in the Asia-Pacific region also has implications for the Indo-Pacific region, with Washington's recent strategic partnership with New Delhi designed to balance Beijing's power in the Indo-Pacific, which has spurred Pakistan to seek closer ties with China as a counterweight to India, as Khan (2022) states. This triangulation renders the Pakistan's policy on China more complex than just a bilateral relationship, as it is part of a wider structural rivalry between the US-India axis and the China-Pakistan axis. In the same vein gul et al. (2021) point out that the security consequences of the post-9/11 Sino-US competitive dynamic have been enduring for Pakistan and have affected its threat perceptions, as well as its nuclear deterrence, conventional military modernization and counter-terrorism cooperation with the United States, which is an area of US assistance and Chinese support.

In the grand strategy, Khalid (2019) places Pakistan's dilemma in the wider context of the competition between the two powers, China and US, for the political order of the world.

But as the liberal international order developed and maintained by Washington comes under growing pressure from an assertive, economy-driven China, middle and smaller powers like Pakistan are forced to rethink not only their foreign policy toward China but also their policy outlook for a fundamental transition in the international order system. Riaz (2016) further states that the foreign policy establishment in Pakistan has been unable to have a coherent long-term strategy for dealing with great power competition, and has always been crisis-driven. This lack of strategic depth puts Pakistan structurally at a disadvantage just when the competition mentioned above, which was most clearly reflected in the Beijing Summit, needs clarity, not improvisation.

Recent scholarship, however, indicates that Pakistan's room for manoeuvre may be limited further. In Pakistan, the current economic crisis is becoming a conflicting dilemma as one side pulls the country towards economic necessity, another towards security promises, and a third towards ideological affinity, none of which is consistent with all three demands (Noonari, Mahesar, and Noonari, 2024). Further, Hussain, Mahmood, and Javed (2026) have described Pakistan's current policy as "strategic response and balancing act" which is becoming more difficult to maintain as both Washington and Beijing increase the price of the state of "hedging". Their analysis says that Pakistan's traditional policy of enjoying benefits from both powers without being fully committed to either one is becoming out of fashion, as both powers fight one another and do not tolerate daband. As the rivalry between them grows, their analysis suggests that in both Washington and Beijing, partners who refuse to pick a side are becoming increasingly rare. Zafar (2024) extends this argument by pointing out that the trade-offs, investment flows, and access to technology of the US-China relationship within the broader Asia-Pacific region have direct implications for Pakistan.

The Indo-Pacific aspect of the competition adds to Pakistan's vulnerabilities. For Pakistan, the Indo-Pacific tensions between China and the United States have direct implications on its maritime security, its port of Gwadar, and its role in China's grand Indo-Pacific maritime strategy, which Hussain (2025) suggests puts Pakistan in a position more central to the geopolitical and geographic heart of the competition than is often recognized by analysts. This is echoed by Yaqub, Ali, and Kumar (2025), who frame the growing arms race between China and the U.S. as part of a larger shift in the global security landscape, in which Pakistan's defense procurement decisions, which have been predominantly with China in recent years, are increasingly interpreted by Washington as a shift towards strategic partnerships and cooperation. In order to claim the sanctuaries, even the apparently non-military ones, are immune from strategic competition: Dong and Tian (2024) report how the competition between China and the USA has now extended to agricultural cooperation, involving Pakistan.

Research Questions

- 1) How is Sino-US strategic rivalry shaping Pakistan's Foreign Policy?
- 2) Is American global hegemony coming to an end with the rise of the People's Republic of China?

Historical background

Sino-US rivalry is one of the most important geopolitical competitions of this century, which has come out of the process of China's rise from a regional power to a competitor of the United States. It stems from the Cold War when the United States considered the communist China as a strategic threat following the Chinese Revolution in 1949. But in the 1970s, things turned upside down between Washington and Beijing when both countries decided to cooperate against the USSR. During this time, Pakistan also had a

significant diplomatic role of providing a secret channel for communication between China and the United States and thus facilitated the historic visit of President Richard Nixon to China in 1972. During the cold war era, Pakistan's posture was linked to the ebb and flow of great power relations. Pakistan's initial cooperation with the USA was through security pacts like SEATO (1954) and CENTO (1955) due to major existential security threat from India. Since Sino-Indian War in 1962, however, Pakistan began to develop closer ties with China. The 1963 Sino-Pakistan border agreement was a cornerstone of strategic partnership between the two nations, both of which were worried about India's influence in the region. With the passage of time, Pakistan turned into an important security and diplomatically of China, especially in the military sector and international arenas. (Weyar, 2023).

Ideological conflict was lessened at the end of the Cold War, and then again was Sino-US relations with the growing strength of China's economic and military power. China's economic development and growing influence in Asia posed a threat to the US-led international order that had taken root in the region. In the 21st century, conflicts were heightened regarding issues like trade, technology, the South China Sea, Taiwan, and regional alliances. The U.S. deepened ties with its partners in the Indo-Pacific, especially with India, and China grew more active in its economic and strategic engagement in the region through the Belt and Road Initiative (BRI). The Sino-USA rivalry has posed opportunities and challenges for Pakistan. China is the most regular strategic ally of Pakistan, particularly in the context of China-Pakistan Economic Corridor (CPEC) – the flagship project of BRI. The vision of CPEC is to link between China's Xinjiang region and Pakistan's Gwadar port by infrastructure, energy, and connectivity. It has facilitated China's investment in Pakistan and enhanced economic cooperation between the two countries. (Rafiq, 2021).

Meanwhile, Pakistan has traditionally had significant ties with the United States. Pakistan's relationship with Washington has been complex, as Islamabad is trying to balance its strategic relationship with China, while not being completely reliant on it, and keeping good relations with Washington, especially during the Cold War alliances, the Afghan conflict of the 1980s and as China and the US compete. The competition is also impacting the overall security landscape of Pakistan at the regional level. The enhancement of the strategic partnership between the US and India has led to concerns in Pakistan regarding regional power balance. China offers Pakistan the much needed diplomatic and strategic flexibility, but the greater the integration with China, the more economic and diplomatic pressure it can bring from the Washington. Thus, Pakistan has started to seek the balance of powers instead of siding with one power in its foreign policy. In summary, the Sino-US rivalry has changed the geopolitical landscape of Pakistan. Pakistan is now emerging as one of China's big players in the region and is of continued importance to US interests in South Asia. The past experiences of Pakistan with both powers prove that great power rivalry is a constant feature of Pakistan's security affairs, and its economy and foreign policy decisions. (Jalal & et al., 2025).

Literature review

Sino-US rivalry and its multi-dimensional relationship with Pakistan has become one of the most discussed issues in the South Asian geopolitics today. Researchers have studied this topic from a variety of lenses such as strategic hedging, economic interdependence, regional security realignment, and great power balancing theory. The literature already indicates that Pakistan is in a very delicate position in the emerging great game dynamics, caught between two powerful rivals, Washington and Beijing, with its geo-strategic

position at the crossroads of South Asia, Central Asia and Middle East, and the rising structural pressures of the contemporary international order. One of the most comprehensive and institutionally rich policy analyses of Pakistan's structural dilemma in the Sino-US competition comes from Ali. Ali says that a greater focus on the consequences of the rise in the US-China rivalry is particularly critical in the already contentious South Asian security landscape, where the US has invested in India to counter China, while the latter has developed strong ties with Pakistan. His main thesis is that Pakistan is not yet playing a major game in the US-China contest, but that could turn bad in no time if both Washington and Islamabad are unable to handle the bilateral relationship in a healthy and positive way. Ali also warns that Washington's narrow-mindedness and narrow-mindedness would not only be bad for relations with Pakistan but would also make it more difficult to maintain strategic stability in South Asia, escalate conflict in the region and make Afghanistan more difficult to stabilize. Even as the competition is growing more intense, Ali says Pakistan must create opportunities for maintaining and strengthening positive ties with both the superpowers without having to choose between the two. This is especially impactful as it shifts Pakistan's status from being a mere subject of the great power game to being a conscious strategy player, actively influencing regional outcomes with very nuanced diplomacy. Ali's analysis offers a crucial foundation for comprehending what the outside game of Sino-American rivalry looks like in the concrete policy choices for Islamabad (Ali, 2022).

Developing on this structural analysis, provides a highly empirical and theoretically sound analysis of Pakistan's hedging conundrum in the context of the Sino-US rivalry in South Asia. Boni's analysis takes place in the context of existing literature on hedging strategy and proves that Pakistan has few hedging options because of two converging trends namely, the implementation of the Beijing-backed China-Pakistan Economic Corridor (CPEC), flagship project of the BRI, and Washington's strategic pivot towards competition with China alongside the US withdrawal from Afghanistan. Through a variety of sources of archival information and primary interviews, Boni's research identifies a basic paradox in Pakistan's current foreign policy: the fact that the country's long-term economic interests increasingly and inextricably tie up with Beijing's, while CPEC is simultaneously depriving Pakistan of much of its diplomatic flexibility. Boni also situates this quandary in the broader context of great power rivalry, where China's great power comeback and the competition regarding norms, rules, and values that support the international order have marked the return of great power rivalry in global politics, with Asia, in this case, at the epicenter of the contestations, illustrated by the competing Belt and Road Initiative and Free and Open Indo-Pacific strategies. His framework is analytically useful as it makes sense of the fact that Pakistan has had trouble maintaining a truly neutral stance the structural depth of this integration with China through CPEC has made it increasingly difficult and even perhaps structurally impossible to maintain a long-term balance between Washington and Beijing. (Boni, 2021)

The third and newest strand of scholarship takes the place of those who look at what Pakistan is confronted with and instead examines how Islamabad has used an active and pragmatic approach to diplomacy to deal with this competition. In a qualitative study titled "Pakistan's multi-directional foreign policy and emerging multipolar world order, explores Pakistan's foreign policy approach in the face of today's multipolar world. They believe that hedging is one of the most important aspects of Pakistan's foreign policy in coping with the competition of the great powers namely the United States, China and Russia after 2013 and Pakistan must balance and diversify its foreign policy to protect its

economic and security interests while keeping strategic autonomy. The authors note that the signing of CPEC represents a significant rise in the strategic partnership between the two countries, while Pakistan has also been trying to diversify its military alliances, including the enhancement of its ties with Russia, via military cooperation, such as joint exercises and procurement of high-tech military equipment. In the face of ongoing structural issues, the study reveals that Pakistan's multi-vector and flexible foreign policy have the potential to develop a more independent foreign policy posture in the context of multipolar international order. This study is important because it expands the dichotomy between the United States and China which is the prevailing perspective in the bulk of the available literature, and places Pakistan's actions in the context of the new power dynamics that is shaping international relations in the twenty-first century. (Asghar, 2025).

Our literature review showing that arrive at a convergent and convincing analytical end that Pakistan is neither a victim of great power pressure nor a thorough going supporter of either the U.S. or China. Rather Islamabad adopts a pragmatic, calibrated and interest based balancing diplomacy that benefits the most from its ties with both great powers at the least diplomatic and strategic cost. The literature emphasizes that the Sino-US rivalry is not just a structural variable that influences the international environment of Pakistan but also a key organizing principle that has influenced the essential security calculus, economic relations, institutional connections and foreign policy paradigm of Pakistan in the twenty first century.

Theoretical Framework

Realism

This study employs a dual-theoretical approach, combining Realism and Constructivism, to analyze the implications of Sino-US strategic rivalry for Pakistan's foreign policy. Realism treats the international system as anarchic, with no central authority to enforce order, forcing states to prioritize survival and self-help (Waltz, 1979). Mearsheimer has explicitly applied this logic to China, arguing that a rising China cannot rise peacefully. It will have to confront the US in Asia and beyond, making the PRC-USA War structural rather than accidental (Mearsheimer, 2002). The second research question is directly answered by realism: China's military buildup in the South China Sea and its threat to the dollar-based order is seen as a logical reaction to anarchy, not an aggressive attack. It also shapes the first research question of this study: According to realist logic, a smaller state amidst two great powers is forced to make alignment decisions based on the relative strength and security promises of the two great powers rather than sentiment based on the literature of classic balance of power and bandwagoning theory (Waltz, 1979).

Constructivism

Most associated with Alexander Wendt, constructivism disputes realism's assumption that anarchy has an inherent and predetermined meaning. This famous quote, "Anarchy is what states make of it," states that the structures of the world are not solely established by material forces but are also created by interactions, identities and ideas shared by states (Wendt, 1992). States' interests and threat perceptions result from identity, historical narrative, or norms, that is, the same distribution of power may lead to cooperation or conflict depending on the interpretation of one another (Wendt, 1999).

This is important for your paper, in two ways. First, it provides a framework to understand the "red line" Xi Jinping has presented regarding Taiwan that goes beyond the realm of realism: Xi's concept of Taiwan as a "red line" is not only a material security concern but also a national identity issue related to territorial sovereignty and historical humiliation. Second most importantly, for RQ1, constructivism is the most suitable lens to examine

Pakistan–China relations more specifically. The friendship is often referred to in official and public statements as an "all-weather" or "iron brothers" friendship, implying an identity-based friendship, as opposed to a purely transactional and power calculated one, and its not all about Pakistan dependency.

Only a combined approach can offer a realistic explanation of the structural pressure Pakistan is under from the rivalry between China and the U.S. and why it needs to choose or hedge. Constructivism is the theory that sheds light on the nature of that choice, the legitimacy surrounding the choice of China in particular. Together they enable you to tackle both research questions, RQ2 (systemic power transition) with realism, and RQ1 (Pakistan's specific alignment behaviour) by combining both.

Analysis

Economic Power Transition

China's economy grew 5% year-on-year in the first quarter of 2026, accelerating from 4.5 growth in the prior quarter and beating economists' forecast of 4.8%. Growth slowed a bit in the first half, adding 4.7 from a year ago to reach a total of about 10.28 trillion dollar in output, well within Beijing's annual growth range of 4.5% to 5%. This happened despite the international forecasters' expectation of slower second quarter growth in the United States, Japan and the eurozone, which supports the power-transition story that is a key aspect of RQ2.

Financial Reorientation and De-Dollarization

These statistics, however, are far from representative. The dollar's role in foreign exchange reserves as a percentage of reserves has declined to its lowest since 1995, meanwhile, central bank gold purchases also hit a record level of more than 1,100 tonnes when buying unreported dollars is added in, according to IMF reserve figures. But more careful analysis complicates matters – the decline in the dollar value of China's own reported holdings could be due to the movement of assets between Chinese institutions, not to a true reduction in Chinese holdings of the dollar. Combined, the data suggest that dollar centrality is indeed being eroded, but not completely and not necessarily in linear fashion (Lukin, 2023).

Military Modernization

In terms of the most basic material level on which realist analysis focuses, the Chinese navy is now estimated to have over 370 hulls, with 435 expected by 2030, and over twenty major combatants were commissioned or launched in 2025 alone. Modernisation is focused in advanced platforms: the fleet now has three aircraft carriers, the latest being China's first with electromagnetic catapults. New destroyers have been commissioned into the South Sea Fleet, the fleet most relevant to South China Sea operations, in early 2026. Diplomatic Signaling: The Beijing Summit is an exhibition of diplomas and diplomatic flags that will take place in 2015.

The May 2026 Beijing Summit provides an abundant supply of constructivist data points. But before Trump's visit, Chinese state media had called Taiwan the "first red line" that can't be transgressed in China-US relations and the "biggest point of risk between the two countries. In the talks, Xi Jinping put Taiwan at the heart of the relationship, saying "If Taiwan is not handled properly, the relationship would be endangered. But its message was decidedly one-sided: while the American side was effusive in its praise of Xi, the Chinese side's messaging was tinged with caution and identity, and focused on sovereignty and historical grievance, things that are more than just a function of material capability (Boni, 2021).

Pakistan-China Economic Ties

In the second, CPEC data shows the material commitment of Pakistan with Beijing. Through CPEC, China has invested in Pakistan by providing funding of \$25.93 billion that has created more than 261,000 jobs and China has been Pakistan's largest trade partner for the last 12 years, with bilateral trade surpassing \$25 billion in 2025 and China contributing more than 50% of Pakistan's foreign direct investment from mid-2025 to early 2026. The second phase of CPEC is now in focus, gradually turning towards industrialization and the digital economy, and the power generation capacity under the CPEC now surpasses 9,500 MW.

Pakistan-US Economic Ties

The economic relationship has been significantly smaller with Washington, but it is being worked to strengthen it. In 2025, the value of total U.S. goods trade with Pakistan was estimated to be \$8.7 billion. Pakistani authorities have hinted that trade with the U.S. may double to \$20 billion in the next five years, adding that the U.S. is the biggest single country market for Pakistan's exports and over eighty U.S. companies are currently active in Pakistan's technology, minerals, energy and defence industries. A new oil cooperation deal between the United States and Pakistan was announced in February 2026, which was labeled as a historic agreement by Islamabad. These indicators together suggest the power imbalance is closing between Washington and Beijing, yet, certainly not confirmed by capability data, an identity-based Chinese stance on Taiwan and a Pakistani economy that remains underweight to China despite conscious efforts to rebuild ties with the United States (Gilani, 2006).

Research Methodology**Research Design**

The approach adopted in this study is qualitative and involves case study research design along with secondary data analysis to analyze the Sino-U.S. rivalry structurally and its specific foreign policy implications on Pakistan. The research adopts a dual Theoretical Approach (Realism and Constructivism), in order to be able to interpret the material power transition and the identity driven behaviours that are at play in the current international order.

Data Collection

It is a study that exclusively makes use of secondary data collection methods and information from various academic works, geopolitical policy analysis, economic reports and diplomatic statements. The data collected in addressing the formulated research questions are under four major dimensions: Using macroeconomic signs and data, like China's GDP growth rate of 5.0% in Q1 2026 and IMF foreign exchange reserve figures, to assess the progress of global American hegemony and global systemic power shifts. Assessing realist security paradigms by collecting open-source defense statistics on "military modernization" by the Chinese, in terms of deployment of over 130 Core Frontline Warships in the South China Sea. Diplomatic Signalling: Reviewing official state communication and dialogue during bilateral meetings (Beijing Summit in May 2026) for constructivist signals on the topic of national identity and sovereignty. Comparing Pakistan's strategic alignment and its structural dependence on the China-Pakistan Economic Corridor (CPEC) with U.S.-Pakistan trade agreements and volumes to measure levels of bilateral economic ties.

Analytical Framework

The data gathered is analyzed from two lenses, a theoretical lens to address the research questions in a holistic manner:

Realist Analysis: Quantitative economic and military information is analysed in a realist manner and an analysis of the changing balance of power is done. This framework makes sense of the Chinese military expansion and the move towards de-dollarisation as coherent and systematic responses to international anarchy and is designed to determine whether the American hegemony is coming to an end.

Constructivism is adopted in the analysis of qualitative diplomatic data in the relationship with history. This is a way of looking at "red lines" (like Taiwan) and "all-weather" friendships (like Sino-Pakistan relationship) as not only as power games, but as identity, history, and interpretation of threat-based actions.

Scope and Limitations

This study is limited to the secondary data available to a certain extent as of mid-2026. Geopolitical events happen in real time and, as a result, the primary limitation is the ability of global geopolitics to change quickly, potentially changing the projected paths. There is also a limitation because there are financial transactions that may not be reported, such as holding a dollar in an institution that was not disclosed, which would alter the projected paths.

Recommendations

Based on the data analysis, we understand that Pakistan's alignment behaviour has been reactive till now, reacting to milestones being achieved in the CPEC or US trade offers. The Ministry of Foreign Affairs in Pakistan needs to put in place an official doctrine of hedging, and establish clear limits on how much economic or security cooperation can be done with either of these powers without giving up autonomy with the other. It would enable Pakistan to proactively deal with the rivalry as opposed to being its victim, by having a codified framework of hedging.

As per the data, the gap in investment in CPEC is tremendous where the Chinese investment is in excess of the total value of US-Pakistan trade by more than \$25 billion. This imbalance leaves Islamabad with less room to manoeuvre because its structural dependence on one power decreases its leverage with the other power. This is not just a talking point for Pakistan to seek doubling of America's trade to \$20 billion over five years, but it needs to diversify trade relations with the Gulf, Central Asian and European nations or else create a binary trade structure between both countries.

It is demonstrated from a constructivist point of view that Pakistan-China relations are not just materially based on calculations but also rely on identity narratives of "iron brothers" and "all-weather strategic partnership". Such a relationship is indeed having some diplomatic meaning; however, the Pakistani establishment should refrain from relying on the identity debate as a replacement for hard-headed cost benefit analysis of each agreement, especially regarding the debt sustainability and CPEC Phase-II conditions.

The constructivist analysis suggests that Xi is not talking about a material claim to Taiwan, but about sovereignty and identity and that this could result in a sudden escalation. Pakistan should remain neutral in the Taiwan issue (statement, forum or voting) to avoid being pressured into making premature choices between Washington and Beijing and ensure diplomatic avenues are available to ease the regional fallout in case of a crisis.

One diplomatic aspect of which Pakistan has yet to take advantage is that it has ties with the United States and China during the Cold War era till the late 1970s when Nixon visited China. The revival of quiet, track-II talks between Washington and Beijing – informal ones, at any rate would raise the strategic importance of Pakistan rather than being a battleground between US and China. Pakistan's central bank and finance ministry should take into account all the possibilities of de-dollarization without reaching hasty

conclusions regarding the need to walk away from the IMF/USD dominated external financing arrangement which currently runs Pakistan's finances. Finally, a better domestic revenue and a greater export diversification would have a greater impact on the strategic autonomy of Pakistan compared to any one diplomacy project. This would reduce Islamabad's need for external financing from Beijing or Washington.

Conclusion

The Sino-US strategic rivalry is not a figment of imagination for Pakistan but rather a structural reality which is inherent in the country's economic planning, security assessment and diplomatic discourse. Our findings indicate that there is not a direct solution. Realist perspective suggests that China's steady and solid GDP growth, its growing blue-water navy and the dollar's gradual withdrawal from its global reserve status all indicate a power shift that is gradual, competitive and irreversible. This was clearly visible at the Beijing Summit with the body language of the American president who now saw the Chinese leadership as their equals. It is at that disparity of tone that realism stops and constructivism begins. Xi's Taiwan red line is more than just a power calculus – it is based on sovereignty, historical grievance, and national identity and such a stake, which cannot be reduced to material capability alone, makes the US-China relationship more combustible than the numbers would imply. The two lenses in theory intersect into one pattern in Pakistan – one that's hedging and not aligning. Realist structural pressure and the fact that Islamabad is losing the leverage of US trade, which is worth \$8.7 billion, against \$25.93 billion of CPEC investment pushes Islamabad towards Beijing automatically, reducing its options. However, Pakistan has not come to be seen as completely dependent, as evidenced by its simultaneous cultivation of relations with the United States in both the trade and defense sectors and its efforts to cultivate relations with Russia and the Gulf.

The "iron brothers" way of dealing with China gives Pakistan some identity and legitimacy in this balancing act, but it has not taken the place of Pakistan's pragmatic, transactional engagement with Washington. Islamabad is, therefore, hedging on material as well as ideational aspects. The biggest threat in this study is the lack of a real doctrinal stance in Pakistan's foreign policy. The country's posture is reactive, and does not depend on any real strategic outlook but is determined by the next milestone, whether it is CPEC disbursement or US trade overture. This lack of a codified hedging doctrine puts Pakistan structurally at risk, unable to credibly balance the other relationship as the Sino-US contest intensifies over Taiwan, technology and the international financial architecture. The future does not have to be in 'choosing between Washington or Beijing', the future must be built upon avoiding strategic redundancy (trade, disciplined debt management and calibrated neutrality on flashpoints like Taiwan) while keeping the autonomy and independence of Pakistan and ensuring a balanced approach towards these two major powers.

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