

Pakistan's Strategic Balancing between China and the United States, 2021–2025: Implications for CPEC, Security, and Economic Diplomacy

Dr Shah Rukh Hashmi Assistant Professor of Current Affairs, Department of Business Administration, Sukkur IBA University. Email : sr.hashmi@iba-suk.edu.pk

Adila Tariq Assistant Professor, HED Khyber Pakhtunkhwa, M.Phil. in Pakistan Studies, Qurtuba University of Science and Information Technology, Peshawar.

**Roheen Zafar
(Corresponding
Author)** Ph.D. Scholar Pakistan Studies, Qurtuba University of Science and Information Technology, Peshawar. roheenzafar@gmail.com

Abstract: *In today's context of growing strategic competition between the Chinese and the US, Pakistan's foreign policy has witnessed a complete paradigm shift from 2021 to 2025. Instead of being close to just one of the great powers, Pakistan has increasingly pursued a 'strategic balancing' approach, which aims to maintain its long-standing ties with China and at the same time continue to develop a pragmatic relationship with the United States. This study investigates Pakistan's strategic balancing in this context and analyse its consequences on CPEC, national security and economic diplomacy of Pakistan. The article uses a qualitative design of secondary data analysis and refers to scholarly literature, policy reports, and statements issued by the government to evaluate Pakistan's changing foreign policy stance. The results indicate that Pakistan's balancing policy has been influenced by the economic compulsions, security concerns in the region due to the resurgence of Taliban in Afghanistan, global geopolitical changes and economic fragilities at home. China continues to be the key strategic partner of Pakistan in investments within the framework of the CPEC, military development and coordination and political support, while the United States has been the constant partner in the field of trade, finance, counterterrorism cooperation, and engagement in multilateral institutions. Pakistan's foreign policy seems to reflect an evolution from alliance politics to issue-based foreign policy with a tendency towards 'hedging' behaviour. But it is becoming more difficult to maintain this equilibrium with the growing competition between China and the U.S. and the desire of external powers for more strategic convergence. It concludes that Pakistan must continue with a multi-faceted approach to diplomacy, fast-track facilitation of CPEC, building economic diplomacy beyond traditional alliances and enhancing institutional capability to maneuver an increasingly multipolar international system for the long-term national interests.*

Keywords: Pakistan, China, United States, Strategic Balancing, CPEC, Economic Diplomacy, Foreign Policy, Security

1.Introduction

The world's political climate has undergone significant changes since the start of the twenty first century. With China slowly becoming the world's economic and military power, and a resurgence of international strategic rivalry between the world's two most powerful powers, international relations have been significantly altered. In recent times, this competition has been seen as a race in the Indo Pacific, South Asia and across the Eurasian continent, where geopolitical influence, economic connectivity, technological competition and military ties are now the dominant lines of state action (Pant & Joshi, 2022). With tensions rising between the two biggest world powers, middle powers and developing states will be increasingly pressured to mediate their foreign policy, economic and security considerations and not get caught in the middle of the conflict between the superpowers.

Pakistan is in a peculiar geo-political situation in this changing strategic scenario. Pakistan is at the crossroads of South Asia, Central Asia, the Middle East and Western China and has always played a significant role in region security and international affairs. Pakistan had close strategic ties with the United States throughout the Cold War, via military alliances like the Central Treaty Organization (CENTO) and Southeast Asia Treaty Organization (SEATO). After 1979 when the Soviet's invaded Afghanistan and in the post-9/11 War on Terror, Pakistan once again became a frontline ally of Washington in its counterterrorism operations (Kronstadt, 2023).

But Pakistan's ties with China have gradually emerged into an "all-weather strategic cooperative partnership" over the last over 60 years. The bilateral relations have enhanced considerably in the fields of diplomatic cooperation, defence cooperation, economic integration and joint support in the region. The China–Pakistan Economic Corridor (CPEC) launched in 2015 as part of China's Belt and Road Initiative (BRI) further increased Pakistan's strategic significance making it one of the key infrastructure and connectivity flagship projects of China (Wolf, 2020).

The next five years (2021-2025) are a crucial time in the country's foreign policy development. Pakistan's strategic gamble has undergone a few changes in the recent years due to the developments in the region and international scenario. In August 2021, with the withdrawal of US troops from Afghanistan, the regional security environment changed and Pakistan's traditional security alliance and partnership with Washington for securing the region was curtailed. At the same time, with China's growing global influence, growing competition with the U.S., Russian invasion of Ukraine, disruption of global supply chains, high energy prices and Pakistan's own dire economic situation, Islamabad turned to a more flexible and diversified foreign policy stance (Small, 2020).

In addition, domestic political developments had an impact in the external relations of Pakistan during the period. Frequent turnover in political leadership, economic uncertainty, inflation, dwindling foreign exchange reserves and reliance on international financial institutions like the International Monetary Fund (IMF) necessitated that the policy-makers be able to maintain positive relationships with several international partners. However, Pakistan's interests were shifting towards achieving a balance between the Chinese and American options, with a focus

on building economic and trade ties, regional connectivity, and diplomatic engagement with both nations (Hussain, 2023).

This diplomatic system is well known as "strategic balancing" or "strategic hedging". Hedging is a strategy that allows states to enhance economic opportunities, minimize strategic risks and preserve policy flexibilities in the face of uncertainty, rather than opting for one of the great powers (Kuik, 2021). This is the kind of policy that Pakistan's foreign policy is increasingly showing and that is why Pakistan has begun engaging in such a policy with Pakistan. Islamabad also strengthens ties with China via CPEC, defence upgrades, regional infrastructure projects, and building better trade ties with the U.S. along with working on cooperation in climate change, technology, education, health and counter-terrorism.

The China-Pakistan Economic Corridor (CPEC) continues to be a key component of Pakistan's development policy and plans. CPEC has helped to attract investment in the transportation sector, energy production, industrial areas, and port development, including in Gwadar. Though the corridor has been delayed, faced debt issues, security problems and political uncertainties, it is still one of the biggest foreign investment projects in the history of Pakistan. The success of CPEC is not only reliant on the cooperation between Pakistan and China but it also has to rely on the overall regional stability, confidence of the investors and overall Pakistan's diplomatic scenario. As such, Pakistan's handling of the relations with China and the United States is crucial in the future of CPEC and economic development (Wolf, 2020).

There are further challenges to Pakistan's balancing approach due to security concerns. There have been cross-border militancy incidents in Pakistan since the Taliban got back into power in Afghanistan, especially by the Tehrik-i-Taliban Pakistan (TTP). At the same time, Baloch militants have started attacking even Chinese citizens, Chinese nationals and CPEC related infrastructure, which directly challenges Chinese investments and bilateral cooperation. Hence, Pakistan needs to continue its security partnership with China and intelligence cooperation with America and other international partners in combating terrorism (Fair, 2021).

One of the hallmarks of Pakistan's foreign policy in the last four years (2021-25) is economic diplomacy. Continuing the shift in the diplomatic mindset from security to trade, successive governments have focused on the promotion of trade, FDI, energy cooperation, diversification of exports and regional connectivity. Pakistan has also been on the lookout for investments from the Gulf countries, U.S., Turkey, Central Asian republics and European countries. This wider understanding represents a pragmatic understanding that sustainable economic growth should not rely on one foreign partner but diversified partnerships internationally (Rana, 2022).

However, the balancing policies of Pakistan continue to face a lot of external pressures. The rivalry between China and the United States is no longer just military but has been increasingly spreading to technology, digital infrastructure, semiconductors, maritime security, artificial intelligence and global governance among other areas. Earlier on, the two powers were standing equally distant from each other, but as the competition increases, it becomes increasingly difficult to keep the distance between the two powers equal. Middle powers like Pakistan have thus limited leeway for diplomacy in the respective spheres of influence of

Beijing and Washington, which expect strategic engagement from partners (Pant & Joshi, 2022).

In this context, this study looks at the strategic balancing between China and the USA in Pakistan in the next 5 years (2021-2025). In particular, the study aims to answer three questions:

What Pakistan has done to maintain the balance in its strategic relations with China and USA in the period 2021-2025?

What will be the consequences of this balancing policy on the national security of Pakistan with regard to CPEC?

What is the impact of strategic balancing on Pakistan's economic diplomacy in a shrinking world?

The study helps in the expanding body of literature on hedging, middle power diplomacy, the geopolitics of South Asia and Pakistan's foreign policy in the present era by answering some of these questions. The reasoning is that Pakistan is living up to changing international realities through strategic balancing, not breaking away from traditional alliances. This can be achieved in ways that yield the highest economic and diplomatic returns, but will require domestic political stability, economic strength, institutional capacity and the capacity to handle growing rivalries from great powers in the future.

Literature Review

Geopolitics, regional security and major power interests have always been the determining factors in Pakistan's foreign policy. But since 2021, the growing of China and the USA's strategic competition has generated a more nuanced diplomatic landscape, forcing Pakistan to embrace the notion of strategic balancing instead of alignment. The terms 'hedging', 'strategic autonomy', and 'geo-economic diplomacy' have become part of the foreign policy vocabulary in Pakistan and are now being used to account for the country's foreign policy. Together, it implies that Pakistan is interested in maximizing the opportunities it can offer for economic gains but also ensure security ties with both Beijing and Washington (Ikram et al., 2024).

One of the prevailing ideas in literature is related to the concept of "strategic hedging. Instead of Pakistan having to choose between China and the U.S. scholars state that Islamabad is adopting a foreign policy that is more flexible and less based on a binary choice in order to minimize strategic risks of great power rivalry. According to Boni (2021), Pakistan is faced with a lack of 'hedging options' due to two significant developments: the 'China-Pakistan Economic Corridor' (CPEC) and 'the withdrawal of the United States from Afghanistan'. Though Pakistan is trying to keep their relationship healthy with both powers, the growing strategic rivalry between China and the US is increasingly becoming more challenging, Boni (2021) has pointed out.

This argument is further developed in recent studies which underscore Pakistan's quest for strategic autonomy. According to the balancing theory of Ikram, Majeed and Rashid (2024), Pakistan's balancing policy is not passive neutrality nor is it a turning away from China. Rather, it is a pragmatic foreign policy that is grounded in close economic relations with China via

CPEC and is also a policy of maintaining a relationship with the United States in the diplomatic, security and economic areas. The authors believe that what is shaping Pakistan's foreign policy is the national interest and that Islamabad would be able to reap the fruits of both and not be tied up to either one or the other.

Although there are several developmental opportunities of CPEC, researchers also identify some challenges that hinder the implementation of CPEC. However, project progress has been hampered by a lack of funding, governance, bureaucratic delays, political instability and security concerns. The security issue has now gained importance in aftermath of frequent attacks against Chinese nationals working on the CPEC projects. Thus, several scholars believe that Pakistan's overall diplomatic relations with the United States and other international actors are not undermining but supporting CPEC as it would help to boost macroeconomic stability, investors' confidence, and international legitimacy (Ikram et al., 2024).

Another important aspect that is central in the existing literature is Pakistan's relations with the United States. Previous analyses tended to focus on security cooperation, counterterrorism and military aid in bilateral relations in the era of the Cold War and post 9/11. But new scholarship shows bilateral relations have changed drastically since the U.S. troops pulled out of Afghanistan in 2021. Boni (2021) believes that Pakistan is no longer only viewed as a military partner but has become a state of interest for Washington in broader issues such as regional security, trade, environmental protection, and diplomatic relations in the context of a more competitive Indo-Pacific region.

Similarly, Ahmed, Rehman, and Umer (2024) note that the U.S. and Pakistan actually have a “selective” cooperation and not a “full pack” of strategic partnership. Both sides have ongoing cooperation on a variety of issues, including counterterrorism, economic development, education, and multilateral diplomacy, but there are ongoing differences regarding regional security and issues related to China. The authors find that the relationship between Islamabad and Washington is not one based on alliance politics as had been the case during past decades, but a more “issue-specific” relationship of engagement based on mutual interest.

Another salient issue in the literature is regional security. The resurgence in Afghanistan of the Taliban, resulted in a fresh security challenge for Pakistan and a new strategic landscape. Pakistan is facing new threats of resurgence of Tehrik-i-Taliban Pakistan (TTP), cross-border militants and attacks against Chinese personnel has caused rise in security concerns for the country. Pre-existing research suggests these developments further cement the reliance on Chinese defence cooperation and stress the need for ongoing intelligence sharing and diplomatic engagement with the United States and other international partners. In the present era therefore, security conditions still remain to play a role in Pakistan's balancing policy along with economic goals.

A new research focus has developed – economic diplomacy. Recent literature indicates that Pakistan's foreign policy is moving towards greater economic recovery, promotion of investments, export diversification and regional connectivity. Whereas Pakistan is looking for diversified economic agreements that can solve the endemic financial problems, external debt,

inflation and dwindling foreign exchange reserves, it is not simply turning to the traditional security alliances. In this context, China is a long-term investor in infrastructure projects and offers industrial cooperation, while the US remains as a key customer, investor and player in the international financial institutions (Ikram et al., 2024).

This explanation was supported by more recent studies that contest Pakistan's foreign policy stance, stating that Pakistan's foreign policy is based on the action of a middle power in a growing multipolar world. According to Ahmad, Noor and Asim (2025), Pakistan is looking to maintain strategic flexibility while engaging in multiple partnerships and not alliances. Their report suggests that Islamabad's foreign policy is becoming more and more focused on two key instruments: geo-economic cooperation and diplomatic pragmatism, both as tools to dominate the rising competition between China and the United States. Likewise, Ch, Ali, Uddin and Hussain (2025) argue that Pakistan's national interests will be better served by a balanced approach rather than a single alignment, such as with either of the major powers.

The literature offers valuable insights into Pakistan's strategic balancing but there are some research gaps that need to be filled. First, a large number of studies on CPEC and Pakistan–U.S. relations exist without considering the two aspects together in a holistic analytical framework. Second, the existing literature on the aftermath of the departure of the U.S. forces from Afghanistan has been largely limited to the immediate impact of the U.S. withdrawal and lacks an analysis of the changes in Pakistan's foreign policy during 2021-2025. Third, few studies have been done on the linkage between strategic balancing, economic diplomacy, domestic economic crisis, and regional security issues.

This study attempts to bridge these gaps by combining the geopolitical, security and economic aspects in one analytical frame of reference. It claims that Pakistan's balancing act of China – USA is pragmatic and not a deviation from the foreign policy of the country. The study delves into the consequences of this balancing approach for CPEC, national security and economic diplomacy and adds to the body of literature on middle-power diplomacy and strategic hedging in a complex multipolar international environment.

Discussion and Analysis

Pakistan's Strategic Balancing between China and the United States (2021–2025)

The years 2021-2025 will be one of the most pivotal ones in Pakistan's foreign policy history since the end of the Cold War. Islamabad's foreign policy was impacted by the withdrawal of the United States from Afghanistan in August 2021, growing strategic rivalry between the United States and China, homegrown political turmoil in Pakistan, and mounting economic woes in the country. While negotiating with neither Beijing nor Washington, Pakistan strategically leaned towards a policy of strategic balancing to keep its strategic relationship with the former intact and to regain pragmatic relations with the latter. This is in line with the new trend towards a "geo-economic" foreign policy from "geopolitically-minded diplomacy" to economic recovery, autonomy and multiple international alliances (Boni, 2021).

The Pakistan balancing policy was more of a necessity of the economy rather than a change of ideology. Pakistan had faced massive macro-economic difficulties between 2022 and 2024, in the form of dwindling foreign exchange reserves, high inflation, external debt pressures, and

frequent deals and talks with International Monetary Fund (IMF). The economic restrictions made it impossible for Islamabad to solely depend on one strategic partner. Despite the China-Pakistan Economic Corridor (CPEC) involving China as the biggest infrastructure investor in Pakistan, the United States remained an important market for Pakistan's exports, a source of foreign direct investment (FDI), and an influential power in the international financial institutions. Therefore, Pakistan wanted to have a positive relationship with both of them so as to maximize economic opportunities and minimize strategic vulnerabilities (Iqbal, Saleem & Cheema, 2026).

Even with the shifting regional scenario, the evolution of Pakistan's relation with China has been very remarkable during this period. China continued to be Pakistan's foremost strategic partner in providing defence cooperation, economic investments, diplomatic support, infrastructure development. Despite security concerns and delay in implementation, CPEC continued to progress, showing the Chinese government's commitment towards the economic development and regional connectivity goals of Pakistan. Whereas in the first phase of CPEC, Chinese investment was focused on transport and energy sector, in the second phase, it would be diversifying its investments from these sectors to industrial cooperation, agriculture, information technology, mining and special economic zones. The change enhanced economic cooperation and dependence between the two nations, and further solidified Pakistan's role in the Belt and Road Initiative (BRI) by China (Iqbal et al., 2026).

Meanwhile, Pakistan made a conscious effort to not let its close ties with China jeopardize ties with the United States. After the withdrawal from Afghanistan, bilateral relations began to move away from the traditional focus on counterterrorism and military cooperation towards economic, diplomatic, educational, climate and regional security issues. There were some differences on strategic issues surrounding China's growing presence in South Asian and Indo-Pacific, but the two discussed the importance of continuing dialogue on shared interests. This shift was the result of Pakistan realizing that there was a need to establish good ties with Washington for economic stability, international financial assistance, technological cooperation and access to global markets (Boni, 2021).

Pakistan's strategic balancing also mirrors hedging behaviour, in which states involve themselves in the balancing act of involving different powers to maximize national interests without becoming over-engaged with any one power. Hedging offers middle powers the policy flexibility in the face of geopolitical uncertainty, as compared to traditional alliance politics. Jamali and Hussain (2026) suggest that Pakistan's foreign policy is becoming more of an example of "pragmatic hedging," which involves geo-economic engagement with China alongside selectively choosing areas of diplomatic cooperation with the United States. The analysis revealed that Pakistan is following the policy of "zero enemy" that is focussed on economic recovery, regional stability, and strategic autonomy instead of bloc politics.

Another factor affecting Pakistan's balancing policy was the domestic political situation. There was a need for external financial support and foreign investment due to the change of government in April 2022, the growing polarization in the political climate and frequent economic crises. Each successive government has focused on an "economy-first" foreign policy with the trade promotion, investment attraction and regional connectivity as key priorities. Thus, Pakistan increased diplomatic activities with the Chinese and the American sides as well as with the Gulf countries, Türkiye, Central Asian republics and the European

Union. This diversification was aimed at limiting Pakistan's reliance on any particular external partner and also to increase the flexibility in its foreign policy.

Balancing strategy was also further bolstered by the developments in the region. With the reemergence of Taliban rule in Afghanistan, there has been a resurgence of concerns about cross-border militancy, especially the resurgence of the Tehrik-i-Taliban Pakistan (TTP). At the same time, the attacks on Chinese nationals on the CPEC projects accentuated the continued internal security issues. The developments further bolstered Pakistan's defense ties with China and highlighted the ongoing significance of intelligence sharing and diplomatic dialogue with the United States and other countries. So, Pakistan's security policy was becoming more comprehensive and including both the traditional military ties and the comprehensive diplomatic ties, not just one (Boni, 2021).

Yet another aspect of Pakistan's balancing policy is its reaction towards the increased polarization in the international system. In the shadow of military rivalry between China and the United States, technology, trade and digital infrastructure, artificial intelligence and global governance became strategic competition, leaving many developing countries under pressure to side with China. Throughout, Pakistan has tried to evade binary options. Rather, the foreign policy of 'national interest,' economic development and stability in the region were mentioned by the policymakers. This allowed Islamabad to keep its relations with China strong without enraging Washington by tainting it, which would limit economic, diplomatic and security opportunities from both powers (Jamali & Hussain, 2026).

However, Pakistan's balancing policy has not been without its problems. The growing investment stock of China has enhanced the economic reliance of Pakistan on China, especially on the Beijing-led financing for infrastructure projects and external debts. At the same time, Pakistan's involvement with international financial institutions, particularly the USA, is a fact of life and necessitates good relations with the governments of the western countries. It takes a lot of diplomacy, policy stability and institutional coordination to deal with these conflicting expectations. Moreover, the U.S.-China rivalry can make room for diplomacy increasingly narrow for states trying to balance their foreign policy towards both countries over time (Boni, 2021).

In general, Pakistan's foreign policy trajectory during 2021-2025 has resulted in a pragmatic shift in its policy and a response to changing geopolitical realities without departing from its traditional strategic partnerships. Islamabad has tried to maintain its all-encompassing strategic partnership with China and simultaneously re-establish the tangible cooperation with the U.S. that serves their mutual interests. The balancing approach reflects Pakistan's efforts to operate in an emerging multipolar world by adopting a multi-faceted foreign policy, being pragmatic about its economic interests, and exercising strategic independence. While there are several obstacles, such as security concerns and economic reliance, that need to be addressed in the near future, the overall strategy of Pakistan, along with its middle-power foreign policy behaviour, reflects the desire by middle powers to serve their own national interest in a context of growing great-power rivalry.

Significance of the China – Pakistan Economic Corridor (CPEC)

One of the most important aspects of the Belt and Road Initiative (BRI) and the most significant part of Pakistan's strategic partnership with China is the China–Pakistan Economic Corridor (CPEC). CPEC since its inception in 2015 has turned bilateral relations into a comprehensive geo-economic cooperation and partnership that covers areas of infrastructure building, energy,

industrialization, digitalization, agriculture and regional trade. But, the course of CPEC was greatly defined by Pakistan's strategic balancing act with China and the United States during the period from 2021 to 2025. In contrast, Pakistan's foreign policy was not aimed at reducing Sino-Pakistani cooperation but at ensuring that China continues to invest in the country, while also maintaining overall economic ties with the rest of the world to aid the country's economic recovery (Rizvi, Khan, & Elahi, 2022).

The advent of Phase II of CPEC represented an important change in Pakistan's development policies. The first phase was mainly about transport facilities and energy production, while the second phase was mainly about cooperation among industries, Special Economic Zones (SEZs), agriculture, science and technology, information technology and export oriented manufacturing. The shift is a result of the recognition of both countries that sustainable economic growth is more about productive investment than infrastructure projects. Consequently, Pakistan started to see CPEC as a tool for industrial transformation, job creation and export growth, instead of just a connectivity initiative (Rehman, Ahmed, & Siddiqui, 2022).

Pakistan's strategic balancing has been helpful in maintaining the continuity of CPEC as it has helped stave off the impression that it is a geopolitical partnership against the US or other western countries. The successive governments have stressed that CPEC is an economic project and can be linked with the cooperation of regional and international countries. This story is a reflection of the Pakistani government's attempt to maintain economic development and separate it from the competition between its relations with great powers and other countries of the world, and to ensure that the trade relationship with China does not hinder good relations with other countries (Iqbal, Saleem & Cheema, 2026).

However, there have been numerous issues while implementing CPEC. The projects are delayed due to the political instability, bureaucracy, energy sector limitations, circular debt, slow activities at the Special Economic Zones and regulatory uncertainty. Additionally, the policy continuity was impacted by frequent changes in government from 2022 to 2024, which delayed policy decision-making and administrative approvals. The above domestic governance issues highlight that the success of CPEC would not be possible without Chinese financial support as well as Pakistan's capacity to undertake long-term economic reforms through institutional capacities.

Security has been the highest priority challenge in the journey of CPEC throughout the study period. The violent attacks against Chinese engineers, construction workers and infrastructure have increased the security issues and added to the cost of the CPEC. The Baloch Liberation Army (BLA) and other militant groups made attacks on the infrastructure development projects with the aim of 'disengaging Pakistan from China'. Reactively, Pakistan's security measures were tightened by beefing up the protection security units for Chinese nationals and fostering cooperation in intelligence between Pakistan and Beijing. The above measures show how the economic development and national security are becoming more and more interdependent in the context of CPEC (Jan & Fakhr-ul-Islam, 2022). Pakistan's leadership has also made it clear that militant violence is about interfering with CPEC and in weakening ties with China.

Another significant implication of the balancing strategy of Pakistan is the perception of CPEC from outside Pakistan. The corridor has been viewed mainly as a strategic competition and debt-dependency in some circles of Western policy makers. But Pakistan has always touted CPEC as a development-driven project to enhance energy security, logistics, industrialization

and connectivity in the region. Islamabad has tried to alleviate the impression that joining CPEC is a geopolitical move towards the US or China by keeping both countries engaged. This is in line with the overall policy of strategic autonomy of Pakistan which also facilitates its economic relationship with China to coexist with its economic engagement with Western economies and international financial institutions.

In terms of economics, CPEC remains an opportunity with a lot of potential in Pakistan for future growth. The investments in transport corridors, energy infrastructure, Gwadar Port and Special Economic Zones can boost industrial productivity and cut logistical expenses, increase regional trade and boost foreign direct investment. Phase II of CPEC with effective implementation can make technology transfer possible, boost manufacturing capacity and enable Pakistan to be more part and parcel of regional and global value chains. These results are very similar to Pakistan's vision of moving from consumption oriented economy, to export oriented industrialization (Jan & Fakhr-ul-Islam, 2022).

However, there is need for parallel domestic reforms to reap the benefits of CPEC to the best. Continued efforts to enhance governance, ensure transparency, boost investors' confidence, transform the energy industry, and keep macroeconomic stability are still needed to unlock the corridor's potential. Pakistan's strategic balancing thus has an economic role in allowing it to attract Chinese investment via CPEC while it continues to reach out to international financial institutions and other international development partners that it needs for more comprehensive economic stability.

In summary, the years from 2021 till 2025 show that Pakistan's strategic balancing has not reduced the importance of CPEC to any level. Rather, it has encouraged Islamabad's call to view the corridor as a geo-economic initiative which can contribute to national development without compromising on the diversity of international relations. However, sustainability of political will, better governance, effective security measures, and Pakistan's capacity to strike an equilibrium with the major global powers in a fiercely competitive international scenario would be crucial for the success of CPEC.

Conclusion

Pakistan's foreign policy does over the past five years (2021–25) reflect a pragmatic approach to the changing and dynamic international reality. The government of Pakistan, instead of trying to align with any one country, China or the USA, followed the policy of "strategic balancing" and succeeded in maintaining its strategic partnership with China while maintaining "constructive ties" with the USA in the diplomatic and economic arena. This policy underlines Pakistan's understanding that in the quest for national security, economic recovery and sustainable development, it is important to have partnerships with a variety of countries, and not rely on one big power.

The study shows that a series of factors have influenced the balancing strategy in Pakistan such as the growing U.S.-China strategic rivalry, the U.S. withdrawal from Afghanistan, domestic political changes, economic fluctuations and the shifting regional security realities. These developments led to a change in Pakistan's foreign policy, which was previously security-oriented and now has a more holistic geo-economic approach focusing on trade, investment, regional connectivity and economic diplomacy.

The findings also show that the China–Pakistan Economic Corridor (CPEC) is still the crux of the Pakistan–China relationship and is crucial to Pakistan's development plan for the longer haul. The study period witnessed the shift in the cooperation into a new phase of CPEC Phase II beyond infrastructure development to areas of industrialization, Special Economic Zones, agriculture, technology, and manufacturing. Despite the delays, challenges in governance and security threats, CPEC remains a great opportunity for economic modernization, job creation, and regional integration. Pakistan's strategic balancing has helped it keep this partnership intact and have a wider engagement with the international economy.

Security concerns are also playing an important part in Pakistan's strategic thinking. Taliban's resurgence in Afghanistan has changed the security landscape in the region and helped the militant violence resurgence especially by Tehreek-e-Taliban Pakistan (TTP). Attacks on Chinese nationals and infrastructure of the CPEC, meanwhile, showed the linkage between internal security and economic development. The issues highlighted the importance of further defence cooperation with China and intelligence sharing and diplomatic dialogues with the United States and other international actors for Pakistan.

Economic diplomacy ranks high in the present-day foreign policy of Pakistan is also reflected in the study. As the country continued to experience balance of payment problems, inflation set in, external debts rose and reliance on international financial institutions grew, Pakistan began to focus more on investment promotion, export diversification, and regional economic co-operation. Islamabad was able to enjoy the benefits of productive relations with both China and the United States, as the latter offered large scale infrastructure projects under China Pakistan Economic Co-operation Programme (CPEC) and the former remained an influential player in the international financial institutions as well as a major trading partner.

Such success, despite all these achievements, has come with a lot of problems in the form of Pakistan's strategic balancing. The growing contest between China and the United States has made room more limited for middle powers looking to navigate in a middle ground. The fragility of the Pakistani government, governance and security risks along with the continued economic vulnerabilities also add to Pakistan's challenge of maintaining an independent and consistent foreign policy. To overcome these challenges, institutional development, economic reforms, good governance and policy continuity are needed.

In conclusion, Pakistan's foreign policy during the period of 2021–2025 showcases the new trend of strategic balancing in the country's foreign policy. This policy is not a neutral or undecided policy but a conscious policy to maximize opportunities of the economy, to ensure national security, and to ensure diplomacy flexibility in a multipolar international system. With steadfast domestic reforms and responsible economic governance, Pakistan's balancing policy can further play its role in the stability of the region, deepening the CPEC, improving economic diplomacy and in the overall national interests of Pakistan.

References

Boni, F. (2021). The US-China rivalry in South Asia and Pakistan's hedging dilemma. European University Institute. <https://doi.org/10.2870/344793>

Boni, F. (2022). Caught between the United States and China: Critical junctures in Pakistan's foreign policy. In A. Pande (Ed.), *Routledge handbook on South Asian foreign policy* (pp. 311–323). Routledge. <https://doi.org/10.4324/9780429054808-25>

Hassan, Y. U. (2022). Navigating the great-power competition: Pakistan and its relationship with the United States and China. *Asia Policy*, 17(4). National Bureau of Asian Research article

Iqbal, A., Saleem, A., & Cheema, A. T. (2026). Pakistan's balancing strategy between the United States and China: An analysis. *Journal of Political Stability Archive*, 4(1), 199–207. <https://doi.org/10.63468/jpsa.4.1.11>

Jan, A., & Fakhr-ul-Islam. (2022). The rise of Taliban in Afghanistan in 2021 and its security implications for Pakistan. *Pakistan Journal of Social Research*, 4(4), 1059–1067. <https://doi.org/10.52567/pjsr.v4i04.912>

Keohane, R. O., & Nye, J. S. (1977). *Power and interdependence: World politics in transition*. Little, Brown.

Kuik, C. C. (2021). Making sense of Malaysia's China policy: Asymmetry, proximity and elite's domestic authority. *The Chinese Journal of International Politics*, 14(1), 1–34.

Shah, M. N. U. H., Zahra, A., & Saleem, Z. B. (2024). Balancing act: Pakistan's strategic navigation of increasing reliance on China. *International Journal of Islamic Studies & Culture*.

Shaukat, S., & Bakht, N. (2022). Challenges for Pakistan and CPEC in China–USA rivalry. *Journal of Development and Social Sciences*, 3(2), 857–865. [https://doi.org/10.47205/jdss.2022\(3-II\)77](https://doi.org/10.47205/jdss.2022(3-II)77)

Small, A. (2020). *The China-Pakistan axis: Asia's new geopolitics* (2nd ed.). Oxford University Press.

Waltz, K. N. (1979). *Theory of international politics*. Addison-Wesley.

Wolf, S. O. (2020). *The China-Pakistan Economic Corridor of the Belt and Road Initiative: Concept, context and assessment*. Springer.

Aamir, M., & Ahmad, M. (2022). CPEC and challenges for China and Pakistan. *Annals of Human and Social Sciences*, 3(2), 201–212. [https://doi.org/10.35484/ahss.2022\(3-II\)19](https://doi.org/10.35484/ahss.2022(3-II)19)

Miller, M. C. (2022). How China and Pakistan forged close ties. *Council on Foreign Relations*. Council on Foreign Relations article