

China's Emergence in South Asia: A Strategic Stability Paradox of Economic, Military, and Nuclear Engagement

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Abstract

This paper examines the emergence of China as a strategic actor in South Asia between 2013 and 2026, investigating whether its economic, military, and nuclear engagement in the region functions as a stabilizing or a destabilizing force. Existing scholarship has tended to analyze China's economic initiatives — principally the Belt and Road Initiative (BRI) and the China–Pakistan Economic Corridor (CPEC) — and its military and nuclear cooperation with Pakistan as separate and largely unconnected domains, leaving unresolved the question of how these dimensions interact to shape regional strategic stability. Employing a qualitative research design grounded in directed content analysis of secondary documentary evidence, the study applies an integrated theoretical framework combining Realist and Constructivist perspectives, extended through Snyder's stability-instability paradox to a trilateral China–India–Pakistan context. The findings demonstrate that China's engagement in South Asia cannot be reduced to a binary characterization of stabilizer or destabilizer, but instead produces what this study terms a hybrid paradox, in which the same instruments of economic investment, military cooperation, and nuclear assistance simultaneously generate stabilizing and destabilizing effects. China's economic engagement delivers genuine infrastructure development while generating structural

debt dependency; its military cooperation strengthens Pakistani deterrence while intensifying India's threat perception; and its nuclear assistance sustains macro-level deterrence stability while enabling the operationalization of Pakistan's Full Spectrum Deterrence posture, thereby lowering the nuclear-use threshold. The paper concludes that regional responses to China's engagement diverge not through misperception but through each actor's distinct structural position within the regional security hierarchy, and it offers actor-differentiated policy recommendations for Pakistan, India, China, smaller South Asian states, regional organizations, and the international community.

Keywords: China–South Asia relations, Belt and Road Initiative, China–Pakistan Economic Corridor, Strategic stability, Hybrid engagement, Security dilemma, Stability-instability paradox, Nuclear deterrence, Full Spectrum Deterrence, Realism and Constructivism

1. Introduction

1.1. Background of the Study

The emergence of China as a consequential great power in the twenty-first century represents one of the most significant structural reconfigurations of the international order since the end of the Cold War. China's trajectory from a developing socialist economy with limited global reach in the 1980s to the world's second-largest economy, its largest trading nation, and the possessor of the world's largest standing military by 2025 constitutes a geopolitical transformation whose implications are felt across every region of the world (SIPRI, 2026). In South Asia a region already defined by nuclear-armed rivalry, unresolved territorial disputes, fragile governance architectures, and deep historical enmity between its two largest states, India and Pakistan — China's expanding presence has introduced new and structurally consequential dimensions that demand rigorous analytical attention. The formal launch of China's Belt and Road Initiative (BRI) in 2013 marked the decisive intensification of this engagement, transforming China from a peripheral actor into a central force across the region's economic, military, and strategic landscape.

China's involvement in South Asia during the Cold War, was mostly focused on its strategic relation with Pakistan, which began in 1960s as an alternative to the Indo-Soviet relation, with China's overall presence being limited in the region (Small, 2015). The Sino-Indian War (1962) which has crystallized the issue of territory along LAC and the Bangladesh Liberation War (1971), wherein China sided with Pakistan and India with the Mukti Bahini, collectively

solidified the strategic triangularism of China–Pakistan–India which has remained a cornerstone of security analysis in South Asia to date (2025) (Siddiqui, 2025). Although China's relationship with India has been normalized since the 1990s and about 20 years ago it joined the WTO, it was a formal announcement from President Xi Jinping in September 2013 that facilitated the consequential strategic pivot which gave the upwards trend a boost. To be sure, the BRI was more than an infrastructure-financing initiative, it was a broader vision of “Chinese facilitated world connectivity” that integrated “trade, energy, digital technology and diplomacy” in a mutually reinforcing connectivity web winding through Eurasia, Africa and the Indo-Pacific (Rolland, 2025).

South Asia is one of the most important theatres of the BRI. By 2025, China had committed more than USD 100 billion in the region, with a presence in Pakistan, Sri Lanka, Bangladesh, Nepal, and the Maldives (World Bank, 2025; Lowy Institute, 2025). The flagship China–Pakistan Economic Corridor (CPEC) links Xinjiang to Gwadar Port in Pakistan's Baluchistan province through a network of highways, railways, energy projects, and Special Economic Zones (SEZs), with more than USD 62 billion pledged across Phase I and Phase II (Iqbal & Ahmed, 2025; Pakistan Ministry of Planning, 2024). CPEC constitutes the largest single bloc of foreign direct investment Pakistan has ever received, adding more than 5,000 megawatts to the national grid and materially easing chronic industrial power shortages (Husain, 2025). Beyond Pakistan, Chinese investment in Sri Lanka's Hambantota Port and Colombo Port City, Bangladesh's Padma Bridge Rail Link, and Nepal's proposed Trans-Himalayan Railway reflects the systemic character of China's regional economic strategy.

But those economic gains do not exist without compounding issues of debt, strategic constraints, and resilience and sovereignty. Indeed, the most often-cited example of BRI-linked sovereignty risk has been Sri Lanka's experience with Hambantota Port built on its borrowing from the Great Belted Beltway and now leased to a Chinese state-owned enterprise for 99 years since Sri Lanka's sovereign default in 2022 (Kelegama & Herath, 2025). The energy contracts of China-Pakistan Economic Corridor (CPEC) Eventually, the external debt, significant portion of which was to the Chinese state owned financial institutions, led to structural fiscal crisis by 2024, with the Electricity tariff jumping by more than 300 percent during 2022-24 to address the situation, as per the requirement of Independent Power Producer (IPP) contracts (Husain, 2025; IMF, 2026). The cases each point towards how China plays a double role as both a developmental partner and (also) an option structurer, using the same instruments to do so.

China's regional presence is also significant in its military aspect. China is the main supplier of arms to Pakistan, and has supplied a number of advanced platforms like JF-17 Thunder Block III multirole aircraft, MILGEM-class corvettes, Type 039B Hangor-class conventional submarine, SH-15 self-propelled howitzer and various missile systems (Siddiqui 2025, SIPRI 2023). Type 039B submarines which will be commissioned between 2023 and 2025 have put the material basis of the Anti-Access/Area-Denial (A2/AD) capability in the Arabian Sea on solid footing with direct implications on Indian naval planning (Brewster, 2025). Apart from arms sales China has, benefited Pakistan with Joint Exercise, Defense-technology sharing, Intelligence exchange but most importantly substantial assistance in Pakistan's Nuclear and Ballistic missile development process. China's presence in the region, in addition to its land-based activities, has also taken a third dimension, expanding its navy's footprint in the Indian Ocean, through the construction of its first military base abroad in Djibouti since 2017, and reported naval interest in Gwadar (Brewster, 2025; Scott, 2024). Similarly, the Indian response has been significant, featuring the commissioning of its home-grown aircraft carrier, INS Vikrant in 2022, the operationalization of Indian submarine to ballistic missile capability and the commissioning of Chabahar Port under Indian control in 2024, which is located 170 kilometers away from Gwadar (Singh, 2025; Jaishankar, 2025).

China has the most sensitive nuclear dimension that is analytically. There is only one part of the world where two nuclear powers, with-debatable territorial borders have deployed nuclear forces and a history of crises which have threatened to escalate – South Asia. After India's nuclear tests in 1998, and Pakistan's conducting tests of its own in the same month, a very primitive deterrence came into existence, which, by and large, has kept India and Pakistan from engaging in a full-scale conventional war (Ganguly, 2021; Narang, 2025). New factors in this deterrence calculus are China's ongoing nuclear technology transfers to the bells and whistles, i.e. loading of missiles, reactors (KANUPP-2, KANUPP-3) and even its civil reactors (CISS, 2023; Kristensen & Korda, 2025). Perhaps most significant is the fact that China's help has also propelled Pakistan's intention to make the brigade-level Nasr/Hatf-IX tactical nuclear missile a reality, thereby realizing the Full Spectrum Deterrence (FSD) posture Pakistan has announced with great fanfare (Basrur & Rajagopalan, 2025).

The Galwan Valley standoff in June, 2020 in which 20 Indian soldiers were killed and an unknown number of Chinese in the worst-ever military skirmish between the two sides since 1967, had become a turning point for India's strategy. It sparked a full-scale review of India's

threat assessment, and resulted in India's 'perception of threat' for the first time since gaining independence being dominated by China, which had a direct impact on India's military strategy and stance, alliances, and regional strategy (Hall, 2025). After Galwan, India has been making rapid strides in modernizing its armed forces, institutionalizing its doctrine of planning for threats from two directions – China and Pakistan – and started reevaluating its existing No First Use (NFU) nuclear doctrine (Basrur & Rajagopalan, 2025).

Taken together, these interacting dynamics — Chinese investment generating both development and dependency, Chinese military support intensifying India's threat perception and regional arms racing, Chinese naval expansion challenging India's maritime domain, and Chinese nuclear assistance lowering the regional nuclear-use threshold — have transformed South Asia's strategic architecture from a historically bilateral India–Pakistan framework into a complex trilateral configuration in which China, India, and Pakistan interact as strategic competitors with interconnected and mutually reinforcing security dilemmas. This structural transformation, and its implications for South Asian strategic stability across the 2013–2025 period, constitutes the central subject of inquiry for the present paper.

1.2. Statement of the Problem

China's expanding economic, military, and nuclear engagement in South Asia has introduced a fundamentally paradoxical dynamic into an already volatile regional security environment. The same instruments Chinese investment, arms transfers, and nuclear/missile assistance to Pakistan simultaneously deliver genuine developmental and deterrence benefits while generating debt dependency, intensifying India's threat perception, and lowering the nuclear-use threshold through Pakistan's Full Spectrum Deterrence posture. Existing scholarship treats these economic, military, and nuclear dimensions as separate research questions rather than as interconnected parts of a single hybrid strategic architecture, leaving unresolved whether China's growing presence in South Asia (2013–2025) constitutes a stabilizing force, a destabilizing force, or a genuinely paradoxical engagement whose effects vary by actor, domain, and time horizon.

1.3. Significance of the Study

This paper offers a theoretically integrated assessment of China's engagement in South Asia that combines Realist and Constructivist perspectives within Regional Security Complex Theory, extends Snyder's stability-instability paradox to a trilateral India–Pakistan–China

context to explain how China's nuclear assistance both strengthens and destabilizes deterrence, and provides actor-differentiated policy recommendations on economic sovereignty, deterrence management, and hedging strategies relevant to South Asian governments and strategic communities. It further contributes an empirically grounded, methodologically transparent model of strategic-studies research aligned with HEC's research development priorities.

1.4. Research Objective

- To examine whether China's economic, military, and nuclear engagement in South Asia (2013–2025) functions as a stabilizing force, a destabilizing force, or a paradoxical combination of both, and how its economic initiatives and military-nuclear cooperation with Pakistan shape the India–Pakistan rivalry and broader regional security.

1.5. Research Question

- Does China's rise in South Asia (2013–2025) function as a stabilizing force, a destabilizing force, or a paradoxical combination of both for regional peace and stability, and how do its economic initiatives and military-nuclear cooperation with Pakistan shape the India–Pakistan rivalry and regional security?

2. Literature Review

It systematically and critically reviews literature on Chinese economic commitment in South Asia, its military relationship with Pakistan, South Asian Nuclear dynamics and the theoretical frameworks employed in understanding such dynamics. The review deliberately brings in Chinese, Pakistani, Indian and international scholars' perspectives to achieve analytical balance and concludes with the research gaps, which justify the present research.

2.1. China's Economic Engagement in South Asia: Opportunities and Structural Risks

Since its official announcement in September 2013, the BRI has created one of the largest, and most controversial, bodies of literature within the field of International Relations today. In a narrative of a 'community of shared destiny' rather than power projection, Chinese scholarship, such as Wang Yiwei's (2016) foundational account, views the BRI as an alternative to the Western development finance which comes with World Bank/IMF loan conditionality.

Meanwhile, Rolland (2025) suggests BRI principally serves as a symbol of a "China export of industrial overcapacity," and Pempel (2024), on the basis of Strange's (1988) idea of 'structural power,' proposes that BRI alters the rules, networks, and dependence in which different recipient states operate. Mayer's (2023) cross country value-added econometric analysis brings these positions into balance: he finds evidence for narrowing the convergence gap in infrastructures quality over time for BRI recipients, and for deteriorating debt sustainability in countries with low institutions with high value-added.

A scholarly history of BRI in South Asia can be divided into three more or less successive periods. The optimism of the Phase I (2013-2017) was mostly expressed as an objective relative to infrastructures-gap remediation (Wang Yiwei, 2016; Husain, 2017). The aftermath of the Hambantota Port lease (2017-2020) - designated as Phase II - shifted the focus on concerns of debt-sustainability into the mainstream of discussions and into scholarly focus, with the framing of 'debt-trap diplomacy' by Chellaney (2017) leading the way and Brautigam (2020) developing the strongest empirical challenge to it. It sees the rise of hybrid engagement constructs (Brands, 2016; Siddiqui, 2025) for Phase III (2020-25) which sees the economic and security aspects as inseparable by construction, but interconnected.

The China–Pakistan Economic Corridor has received the broadest based empirical analysis. According to the assessment done by Li Chenyang (2023), the infrastructures in the first phase of CPEC have been significantly improved while the failure to do so in Pakistan is due to fiscal difficulties, primarily caused by Pakistani governance issues. According to Husain (2025), the most authoritative estimates of the fiscal impact of CPEC in Pakistan shows liabilities of IPP capacity payment in excess of PKR 2.6 trillion (about USD 9.3 billion) by 2023. The 2024-2025 episode of debt-renegotiation is small (2025) suggests is not an example of pure predation or pure developmental partnership, but rather understandable as the structural dynamics of an asymmetric bilateral economic relationship; this is also confirmed in the IMF's (2026) 6th Extended Fund Facility review where the electricity obligations arising from CPEC have been cited as one of the core causes of Pakistan's fiscal fragility.

The debt-trap diplomacy argument is one that is disputed. In contrast, there is a lack of evidence that Hambantota was a predatory design by the Chinese government; Brautigam (2020) presents an empirical assessment of the lack of a general pattern of China engaged in the seizure of assets. Jones and Hameiri (2020) discuss how the debt-trap accounts systematically underestimate the negotiating power of recipient governments. However, Chinese academics

like Yu Hongyuan (2023) interpret the debt-trap narrative as an instrument of geopolitics used by the Western countries and India in order to make any sort of developmental assessment. The Sri Lankan crisis, as described in this authoritative book by Kelegama and Herath (2025), was caused by Sri Lanka's own vulnerabilities as well as pandemic losses of revenue and mismanagement at the home front, and not only because of the actions of the Chinese. Comparative assessments conducted at the country level highlight significant differences—Pakistan and Sri Lanka are examples where debt exposure and structural dependency are high; Bangladesh is also quite successful in hedging efforts but by ensuring the diversification of financing sources (per Rahman and Islam, 2025); changes in government policies at Nepal's Trans-Himalayan Railway have been stuck due to financing disagreements (Sharma, 2025); a switch to China by the Maldives government, under President Muizzu, in 2023 shows how large-scale changes in micro-govt financing can create major strategic tensions (Brewster, 2025).

2.2. China's Military Engagement and the Security Dilemma

As stated in the beginning, this correspondence of China's military involvement with Pakistan can be described as a 'defensive balancing mechanism to maintain regional balance vis-à-vis India's conventional military dominance' as phrased by the Chinese scholar Wang Jun (CICIR, 2024). The reference is an analogy to the United States' arms relationship with Taiwan seemingly repeated by Zhu Feng (CASS, 2023). The qualitative importance of Type 039B (AUKUS) class submarines for Pakistan's A2/AD capability in the Arabian Sea has been well documented by international scholarship – most notably Siddiqui (2025) and Brewster (2025) – whereas SIPRI's Arms Transfers Database (2023) shows that China accounted for 77 percent of Pakistan's arms imports between 2018 and 2022, making Pakistan the state with the highest dependence ratio on China for foreign arms procurement.

The China naval expansion in the Indian ocean has been interpreted in varying ways in the academia. Hu Bo, Research Fellow on National Defense at Peking University (2024), regards these activities of PLA Navy as a rational response to energy-security needs as about 80% of the Chinese oil imports come through the sea lanes of the Indian Ocean, and Shi Yinhong, Research Fellow at CASS (2024), more candidly admits the goals of China go beyond energy security and also involve strategic competition with India. Scott's (2024) analysis of the 'String of Pearls' concept is a conclusion in favor of 'strategic opportunism', that is, commercial port access with quasi-strategic roles, as opposed to the deliberate design of a 'string of pearls'.

There are important implications for Indian deterrence policy in this distinction. As noted above, Singh (2025) and Jaishankar (2025), India responded with its naval strategy that saw the commissioning of the new generation ship, INS Vikrant, in 2022; the operationalization of its submarine-launched ballistic missile capability in INS Arihant in 2024; and the operationalization of Chabahar Port under Indian control in 2024.

Kristensen and Korda (2025) in the Bulletin of the Atomic Scientists' Nuclear Notebook series can most authoritatively estimate China's involvement in Pakistan's nuclearization, including the KANUPP-2 and KANUPP-3 civil reactors, propulsion and guidance technology in the Pakistan Ababeel MIRV system and cruise-missile technology in the Babur-3 submarine-launched cruise missile. But assistance like this is in keeping with the "peaceful" use requirements of the NPT, say different Chinese scholars, such as Tong Zhao (Carnegie) and Li Bin (Tsinghua), who say that it is difficult to completely separate "dual-use" technologies from military applications.

The security dilemma, introduced by Herz (1950) and developed by the analysis of Jervis (1978), gives the prevailing analysis about the regional impact of China–Pakistan military cooperation. More self-critical in nature is the Chinese perspective on the security-dilemma dynamics that are structurally counter to Chinese interests thanks to its military assistance to Pakistan, provided by Wu Xinbo (Fudan, 2024). Basrur and Rajagopalan (2025) outline three different escalation paths emerging from the security dilemma that can involve conventional-to-nuclear signaling, cyber-enabled command failures or space-enabled early-warning degradation.

2.3. Nuclear Dynamics and the Stability-Instability Paradox

Perhaps the strongest empirical evidence for Snyder's (1965) stability-instability paradox - his argument that nuclear deterrence leads to stabilization at the existential level of the conflict, while also allowing instability at lower levels of conventional and limited- conventional conflict - comes from the South Asian record of crises. Pulwama-Balakot 2019, in which 40 Indian paramilitary personnel lost their lives in a militant attack while India retaliated with air raids on Pakistani territory, which were followed by Pakistan's counter air operations, and then by both countries de-escalating without resorting to nuclear strikes, were the clearest examples of the paradox following the Cold War era, according to recent assessment by Narang (2025).

A minority scholarly position, represented by Pang Zhongying (2023), frames Chinese-supported Pakistani deterrence as stabilizing, preventing India from exercising coercive conventional pressure. The dominant international assessment, represented by Narang (2025) and Basrur and Rajagopalan (2025), challenges this framing on both empirical and theoretical grounds, arguing that Pakistan's Full Spectrum Deterrence posture — enabled by Chinese propulsion and guidance technology for the Nasr/Hatf-IX system — creates command pre-delegation pressures that raise the probability of nuclear-use decisions occurring at the operational military level rather than the strategic political level, precisely where catastrophic miscalculation is most likely.

2.4. Theoretical Perspectives: Realism and Constructivism in South Asian Scholarship

Realist analysis of China's South Asian role divides between Mearsheimer's (2001) offensive realism, which predicts systematic pursuit of regional hegemony, and Waltz's (1979) structural (defensive) realism, which predicts states will seek sufficient rather than maximal power. Yan Xuetong's (2023) 'moral realism' framework denies that China's foreign policy is relentlessly expansionist, distinguishing Chinese 'leadership' aspirations from Western-characterized 'hegemony' a distinction most Western and Indian scholars find analytically unconvincing but which usefully illuminates genuine differences in Chinese strategic culture. Buzan and Wæver's (2003) Regional Security Complex Theory provides the most appropriate architecture for analyzing China's great-power overlay on the pre-existing India–Pakistan security complex.

Constructivist scholarship, anchored in Wendt's (1999) Social Theory of International Politics, explains why materially identical developments the same Chinese weapons transfer, the same BRI project generate fundamentally different strategic responses from Pakistan (alignment) and India (counterbalancing), rooted in each state's distinct identity framework. Hall's (2025) post-Galwan analysis demonstrates how a single militarily significant encounter permanently reconfigured Indian threat perception in ways material reassessment alone cannot explain, while Acharya's (2014) norm-subsidiarity framework, applied to South Asia by Rahman and Islam (2025), explains smaller states' hedging strategies as reflecting normative commitments to sovereignty that are irreducible to material cost-benefit calculation.

2.5. Research Gap

This multi-perspectival review reveals six interconnected research gaps that justify the present study. First, conceptual fragmentation: existing scholarship treats China's economic, military, and nuclear engagements as separate research domains, producing an incomplete picture of how they interact to shape regional stability as a whole. Second, empirical insufficiency for the 2022–2026 period: major developments including the CPEC debt-renegotiation crisis, Type 039B submarine commissioning, INS Vikrant operationalization, the Maldives' strategic pivot, and Chabahar's operationalization under Indian management remain analytically under-integrated. Third, a Chinese-language scholarship gap, whereby most Western and Pakistani studies rely exclusively on English-language sources, systematically excluding the more nuanced and self-critical debate within Chinese academic institutions such as CASS, CICIR, SIIS, and leading universities. Fourth, theoretical underdevelopment: the stability-instability paradox has not been systematically applied to a trilateral China–India–Pakistan context. Fifth, methodological imbalance across scholarly communities that are rarely synthesized within a single study. Sixth, a policy gap, in that actionable, actor-differentiated policy recommendations addressing Pakistan, India, China, smaller South Asian states, and the international community simultaneously remain underdeveloped. The present paper addresses each of these gaps through its integrated, multi-perspectival, and empirically current approach.

3. Theoretical Framework

This paper is grounded on two grand theories of Realism and Constructivism, with the addition of Snyder's stability-instability paradox. An analytically necessary approach has to be integrated in that a purely material approach fails to explain why the similar policies of China have both negative and positive strategic consequences in Islamabad and New Delhi, respectively, and a purely ideational approach would underestimate the objective counterbalancing consequences of material power.

3.1. Realist Framework: Power, Structure, and the Security Dilemma

Mearsheimer's (2001) definition of "offensive realism" sees China less as a Sunni "backslider," but simply as pursuing a familiar rational, power projection policy designed to prevent India from dominating the region, ensure access to the sea and limit India's strategic choices, through its military ties with Pakistan. Waltz's (1979) structural realism sees systemic pressure for arms

race and alliance formation as a result of empirical distribution of capabilities and not the intentions of individual leaders. In Buzan and Wæver's (2003) model of Regional Security Complexes China's involvement is one of a great power acting as an overlay of the existing India – Pakistan security complex, while Herz's (1950) and Jer-vis's (1978) model on the security dilemma explains that Chinese military aid to Pakistan, is formally defensive in intent, but is structurally seen as threatening by India and so generates competitive response, leaving both less secure.

3.2. Constructivist Framework: Identity, Perception, and Strategic Behavior

Wendt (1999) advanced the theory of Constructivism, which asserts that state behavior is the result of the construction of identity, interest, and perception in the social world and not a deterministic outcome of the material structure. Indigenous advanced capabilities are increasingly required to address India's threat from Pakistan (Bose, 2016) as India has undergone significant shifts in its strategic posture and re-prioritized its threat perception in the wake of the Galwan event and associated responses, which can be termed an identity-constitutive event (Hall, 2025). The willingness of Pakistan to embark on CPEC, even though there is significant investment cost on the fiscal side highlights that artificially framed identities and institutional interests may emerge on top of purely rationalist cost-benefit calculation (Small, 2025). The idea of norm subsidiarity (Acharya, 2014) also sheds light on the smaller states of South Asia's hedging behavior, which is linked to normatively-based post-colonial notion of political identity and commitment to strategic autonomy and sovereignty of the smaller states.

3.3. The Stability-Instability Paradox: A Theoretical Bridge

The study of China's nuclear role in this paper is centered around the central idea of a paradox of stability and instability, as developed by Snyder (1965). Snyder noted that, in some ways, nuclear weapons are very stabilizing when there is a possibility of an existential struggle; however, they also create instability at more local levels of violence as they allow sub-conventional provocation without fear of catastrophic retaliation. As Krepon (2003) shows in his elaboration and Narang (2025) in his empirical assessment, the paradox applies directly to the role of China: on the one hand, the nuclear assistance from China boosts Pakistan's macro-level deterrence, and, on the other hand, it allows Pakistan to maintain a tactical posture that invites a sub-strategic escalation just at the conventional conflict moments when it is most

likely. This paper extends the paradox, originally formulated for a bilateral context, to its first systematic trilateral China–India–Pakistan application (Figure 1).

Figure 1. Integrated Analytical Framework: China's Hybrid Engagement and South Asian Strategic Stability

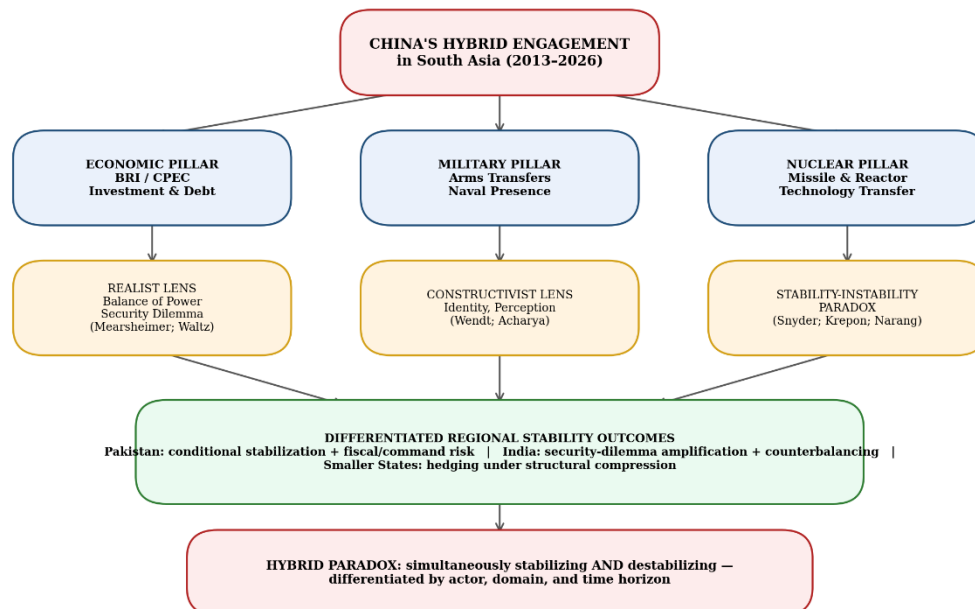


Figure 1: Integrated Analytical Framework: China's Hybrid Engagement and South Asian Strategic Stability

Source: Mearsheimer (2001); Wendt (1999); Buzan & Wæver (2003); Brands (2016); Siddiqui (2025); Basrur & Rajagopalan (2025). The framework maps China's three strategic pillars, the dual theoretical lenses, and differentiated regional stability outcomes across South Asian actors.

4. Research Methodology

4.1. Research Paradigm and Philosophical Foundation

The paper draws on an interpretivist research paradigm and a subjectivist epistemology (Denzin & Lincoln, 2018; Creswell & Poth, 2018) and the ontological assumption that stabilising/destabilising is not a material issue, that is, it is fundamentally about how China's engagement is understood and interpreted by regional actors. This is oriented to the theoretical part of the paper where it follows the tenets of a Constructivist Approach, and this dictates its qualitative approach, as, as discussed by Bryman (2016, p. 380), 'interpretivism makes

demands on the social scientist that he or she must understand the subjective meaning of social action'.

4.2. Research Design

The research design used is descriptive-analytical qualitative research, which uses a systematic documentation method for China's economic, military and nuclear activity and then analysis of the implications that stem from this activity and the regional implications surrounding this activity – Yin (2018) and Creswell and Poth (2018). The unit of analysis is China's hybrid strategic interaction in South Asia from 2013 to 2025, which has been broken down in to three components; the "China-Pakistan economic relationship", the "China-Pakistan defense relationship" and the "Chinese presence in the nuclear dynamics of South Asia". Triangulation is across units of observation, which include peer-reviewed scholarship, official government documents, authoritative reports from think-tanks such as the SIPRI, PIDE, CISS, ISSI, and Lowy Institute and credible media sources (Denzin & Lincoln, 2018).

4.3. Data Collection

Secondary data has been gathered under five categories: peer reviewed scholarship (scopus/SSCI reviewed journal & HEC recognized journal), policy and government documents, think tank & research-institutes documents, documents of international agencies (World Bank, IMF, ADB, UN) and credible media and policy analysis. The criteria used in source selection were: authority, credibility, relevance and currency, favoring sources published between 2020 and 2026 and with a focus also on foundational scholarship when analytically essential. In keeping with the intent of multi-perspectival balance the relevance of Chinese language scholarly sources from CASS, CICIR, SIIS and top Chinese universities were included along with Pakistani, Indian and international sources, the original titles retained, and findings synopses to English by the author.

4.4. Data Analysis: Qualitative Content Analysis

Data analysis consisted of qualitative content analysis (Krippendorff, 2019; Mayring, 2022) with a directed content analysis following the integrated Realist–Constructivist framework (Hsieh & Shannon, 2005) with the option of emergent themes. This analytical process divided into five stages was used: (1) data collection and organization within five categories of source material; (2) coding on two levels to capture both the empirical content (with codes: economic,

military, nuclear, and regional-response) and the theoretical significance (balance of power, security dilemma, threat perception, identity construction); (3) highlighting of coded data into thematic clusters; (4) actor-, domain-, and scholarly-community based comparative analysis of the coded material; and (5) cross-referencing the coded material with a theoretical specification derived from the integrated conceptual framework outlined above.

4.5. Trustworthiness of the Research

the trustworthiness was evaluated based on four criteria proposed by Lincoln and Guba (1985). Triangulation between sources (people and publications) within the scholarly world strengthened credibility. Thick description of CPEC, Indian Ocean naval posture of China and Full Spectrum Deterrence posture of Pakistan was provided as case studies in support of transferability. Explicit documentation of coding framework and the process of analysis addressed dependability. Concerning the confirmability, reflexive awareness was manifest in the stringent process of acknowledging the author's positionality, a Pakistani scholar, in the form of systematic inclusion of the scholarship from both Indian and Chinese sources as well as from international one, and employment of terms such as groups and individuals that were internationally used and applicable for the purpose, and not specifically for the country in which the study was conducted.

4.6. Research Limitations

There were three constraints to the paper's claims. First, since it is fully secondary data, the analytical conclusions are only so good as the understanding contained in documented sources and not the first hand availability to the decision-makers or classified assessments; this is somewhat compensated for by careful triangulation of the sources. Second, the lack of a complete technical characterization of Chinese nuclear-technology assistance to Pakistan from publicly available sources is a result of its classified and diplomatically sensitive nature, and the paper's technical characterization is therefore based on the most authoritative available assessments found in the publicly available open sources such as Nuclear Notebook series (Kristensen & Korda, 2025) and Arms Transfers Database (SIPRI, 2023). Thirdly, the temporal window (2013-2025) considered does not take future developments into account; inferences for a time horizon beyond this are made with due epistemic caution.

5. Results and Discussion

The empirical findings and analysis of the paper is organized around four sections covering the six themes; that of China's economic engagement (5.1), China's military engagement (5.2), nuclear cooperation/strategic stability (5.3) and the synthesis of its hybrid leadership role (5.4); and subsequent comparative regional responses (5.5) and strategic implications for 2025 – 2030 (5.6). The core of the chapter is that how China is operating in South Asia is structurally paradoxical, meaning it can only be understood as a whole, with stabilizing and destabilizing effects stemming from the same instruments of economic investment, military cooperation and nuclear assistance, and are thus analytically inseparable and a product of the same strategic relationships (Figure 1).

5.1. China's Economic Engagement: Infrastructure, Dependency, and Strategic Architecture

The overall nature of China's South Asian initiative is structurally dual, that is, it is both developmental and predatory, occurring at the same time, from a single toolbox (Table 1; Figure 2). The commitments for South Asian countries since 2013 for BRI are USD 100 billion or more, of which CPEC has USD 62.0 billion on Phase I and Phase II (World Bank, 2025; Lowy Institute, 2025). Energy projects (USD 33 billion), road infrastructure (USD 15 billion), SEZ (USD 4 billion) and development of Gwadar Port (USD 8 billion) were the predominant economic activities in phase I (Figure 3). The tangible outcomes are significant—over 5,000 MWs of wind power connected to the national grid, wind power decreasing industrial load-shedding by up to 60 per cent in 2019 (Iqbal & Ahmed, 2025; Husain, 2025).

However, these achievements are structurally linked to debts. Undertake-or-pay IPP contracts, Pakistan was required to pay for contracted capacity even if they did not take it up, resulting in a build-up of capacity-payment liabilities of PKR 2.6 trillion (about USD 9.3 billion) by 2023 – the biggest of all the structural liabilities that pose a challenge for the electricity-tariff crisis in Pakistan (Husain, 2025; IMF, 2026). There was a debt-renegotiation episode in 2024–2025, when the Pakistani government under Islamabad approached for amending the IPP contracts and rescheduling of loans for CPEC infrastructure under the conditions of Extended Fund Facility of IMF (Table 1), which is most analytically telling episode in the history of CPEC. To conclude, China's negotiating offers—by refusing to abide by transparency standards for multilateral debt-restructuring and accepting bilateral tariff cuts and extended repayment

periods—refute both a debt-trap predation thesis (Chellaney 2017) and narratives of a beneficial partnership (Counterpointed by official accounts) and confirm a more structurally nuanced account, in which the power of dependency is an emergent phenomenon of the partnership itself irrespective of its original intent (Small 2025; Husain 2025).

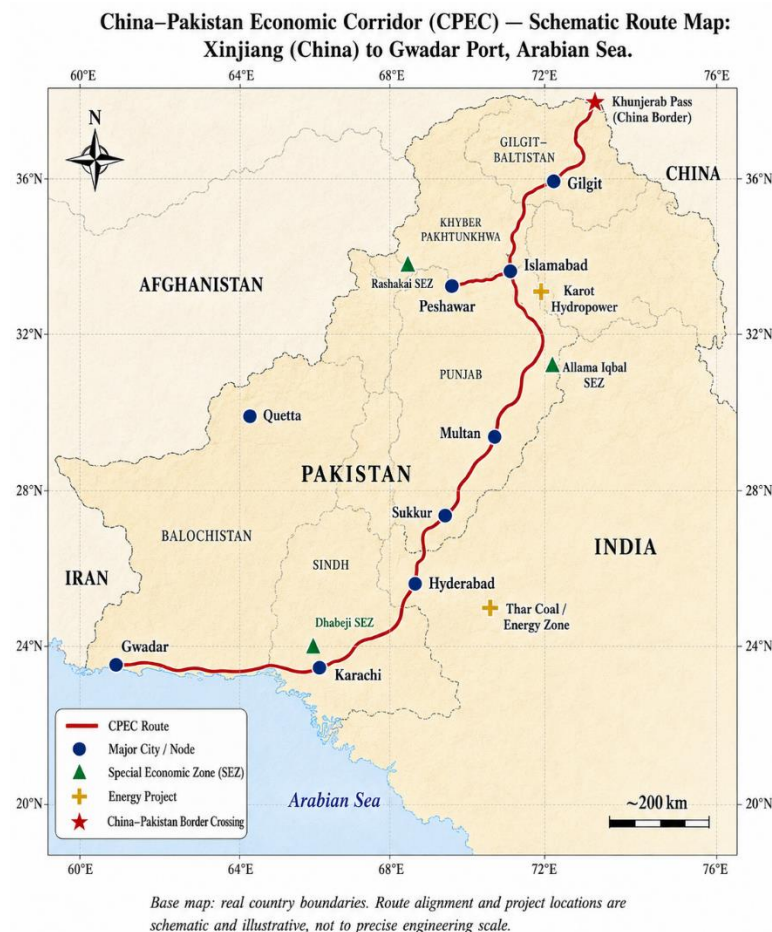


Figure 2: China–Pakistan Economic Corridor (CPEC) — Schematic Route Map

Source: Iqbal & Ahmed (2025); Pakistan Ministry of Planning (2024); Husain (2025). Schematic representation of the CPEC alignment from Xinjiang (China) to Gwadar Port; not to precise geographic scale.

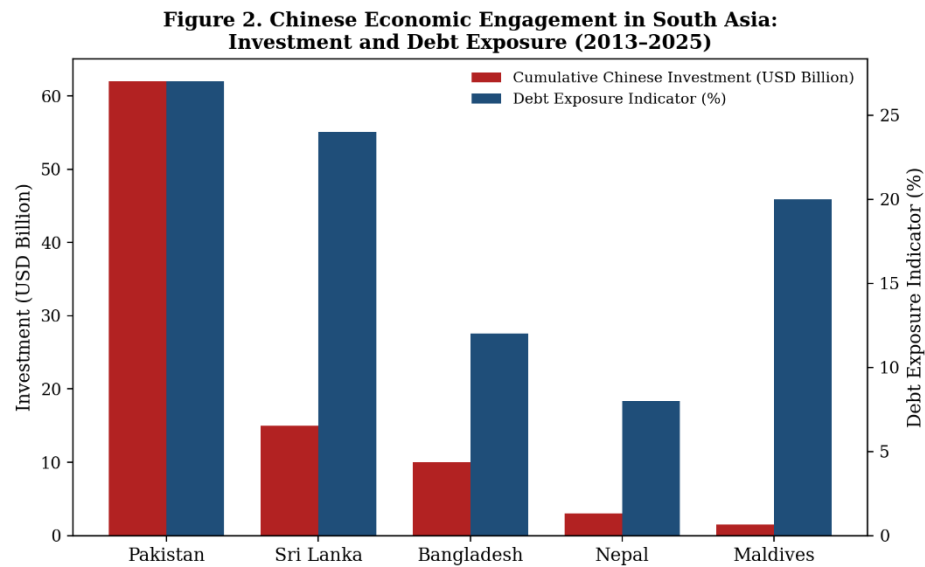


Figure 3: Chinese Economic Engagement in South Asia: Investment and Debt Exposure (2013–2025)

Source: World Bank (2025); IMF (2026); Husain (2025); Lowy Institute (2025); Iqbal & Ahmed (2025). Pakistan's combination of the highest investment and the highest debt exposure (~27% of external debt) defines the corridor's structural vulnerability.

Figure 3. CPEC Investment Portfolio: Sectoral Composition (Phase I, USD 62 Billion)

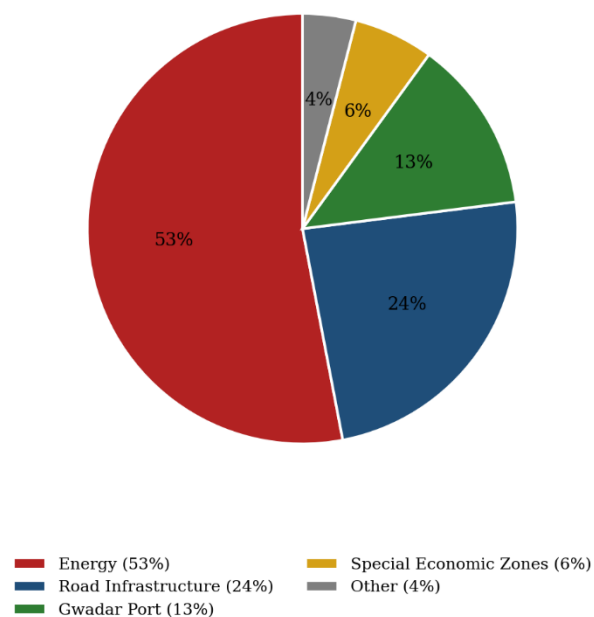


Figure 4: CPEC Investment Portfolio: Sectoral Composition (Phase I, USD 62 Billion)

Source: Iqbal & Ahmed (2025); Pakistan Ministry of Planning (2024); Husain (2025); IMF (2026). Energy dominates Phase I at approximately 53% of total investment.

Table 1 shows the huge distribution gap in Chinese investments, exposure to Chinese debt, and the benefits to the strategic consequences for the different South Asian states. Due to the importance of CPEC to China's regional agenda, the size of investment volume and exposure to debt (around 27 percent of external debt) is the largest in the region for Pakistan. For instance, the understated 'sovereignty risk' represents Sri Lanka's high debt exposure – as crystallised by its 2022 sovereign default and 99-year lease on Hambantota – in the most commonly used critical scholarship (Kelegama & Herath, 2025). Bangladesh, however, has experienced moderate vulnerability, and, because of multiple-point hedging, multi-vector diplomacy, with active relations with India, Japan, the USA besides China, and some Chinese investment, some degree of success can be seen in hedging (Rahman & Islam, 2025). Nepal's low-to-moderate exposure is due to financing disagreements, and ongoing reliance on Indian transit routes (Sharma, 2025); and the Maldives' moderate-to-high exposure is due to the strategic location astride the major sea lanes of Indian Ocean, after President Muizzu's 2023 pro-China pivot (Lowy Institute, 2026).

Table 1: Chinese Investment Distribution Across South Asian States (2013–2026)

Country	Investment (USD Bn)	Key Projects	Debt Level	2025–26 Status
Pakistan	\$62+	CPEC: highways, energy, SEZs, Gwadar; Phase II: industry, digital, agriculture	HIGH (~27% external debt)	Tariff restructure agreed; Phase II proceeding; IMF programme ongoing
Sri Lanka	~\$15	Hambantota Port (99-yr lease); Colombo Port City	HIGH (post-2022 crisis)	Cautious re-engagement; IMF restructuring; India–Japan diversification

Country	Investment (USD Bn)	Key Projects	Debt Level	2025–26 Status
Bangladesh	~\$10	Roads, Padma Bridge Rail Link, power plants	MODERATE	2024 political transition; hedging maintained; India–Japan–US ties active
Nepal	~\$3	Hydroelectric projects; Trans-Himalayan Railway (stalled)	LOW–MODERATE	BRI selectively suspended; railway stalled over financing
Maldives	~\$1.5	Bridge; airport; housing projects	MODERATE–HIGH	Pro-China government 2023–25; debt-driven alignment concerns

Source: World Bank (2025); Husain (2025); IMF (2026); Kelegama & Herath (2025); Rahman & Islam (2025); Sharma (2025); Lowy Institute (2026).

5.2. China's Military Engagement: Arms, Alliances, and the Security Dilemma

China's military involvement with Pakistan can be characterized as a classic security dilemma situation as described by Herz (1950) and then expanded by Jervis (1978) in a very dangerous institutional environment as outlined (Table 3, Figure 4). Between 2018 and 2022, 77 percent of India's arms imports were from China, which was higher than any other country in the world and included all types of platforms including air, land, and naval (SIPRI, 2023). The delivery of Type 039B HANGOR-class submarines in 2023–2025 significantly bolsters A2/AD capacity in the Arabian Sea, marking the first time India will have to contend with what might be the biggest threat in the Indian Navy in the form of a Pakistani nuclear submarine (Siddiqui, 2025; Brewster, 2025). With AESA radar and beyond-visual-range capability the Block III JF-17 Thunder significantly reduces the qualitative air-combat gap with India (Table 3).

India has read this partnership to be a strategic encirclement, leading to an estimated USD 88.9 billion defense spending in 2025 – placed as the world's fourth largest defense spending – and institutionalizing the two front deterrence plans and Quad partnerships (Fig. 4). These reactions too, are seen as a threat by Pakistan and China and thereby continue the back-and-forth security dilemma, which is witnessed to date. June 2020 Galwan Valley incident, if viewed through the lens of constructivism, is not an event that was simply “operational security” but an identity-constitutive event that has forever impacted India's threat perception of China, going down much more in terms of ideational than material changes (Hall, 2025).

Table 2: China–Pakistan Arms Transfer Timeline (2013–2025)

Period	System Transferred	Capability Enabled	Strategic Significance
2013–2016	JF-17 Block I/II (50 aircraft)	Multirole air combat; BVR engagement	Reduced reliance on F-16s; ensured air-force modernization independent of US supply
2016–2019	MILGEM corvettes (2); F-22P frigate upgrade	Enhanced naval surface warfare	Upgraded Pakistan Navy surface fleet; Arabian Sea power projection
2019–2022	JF-17 Block III (25+); SH-15 howitzers; HQ-9/P SAMs	AESA radar air dominance; precision artillery; area air defense	Qualitative air superiority enhancement vs. Indian Su-30MKI
2022–2025	Type 039B submarines (2 commissioned); Babur-3 cruise missile technology	A2/AD; submarine-launched cruise missiles	Most consequential transfer: threatens Indian naval surface operations; maritime second-strike option

Source: SIPRI (2023, 2026); Siddiqui (2025); Brewster (2025).

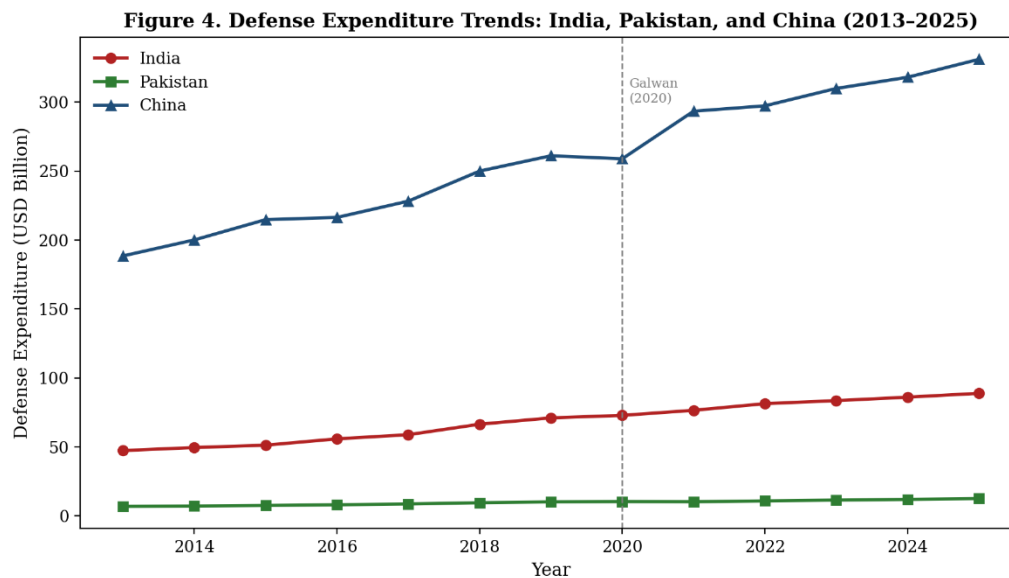


Figure 5: Defense Expenditure Trends: India, Pakistan, and China (2013–2025)

Source: SIPRI Military Expenditure Database (2024); SIPRI (2026); Lowy Institute (2025); Hall (2025). India's trajectory from \$47.4B (2013) to an estimated \$88.9B (2025) reflects security-dilemma dynamics generated by China's deepening military engagement with Pakistan; Galwan (2020) marks the critical inflection point.

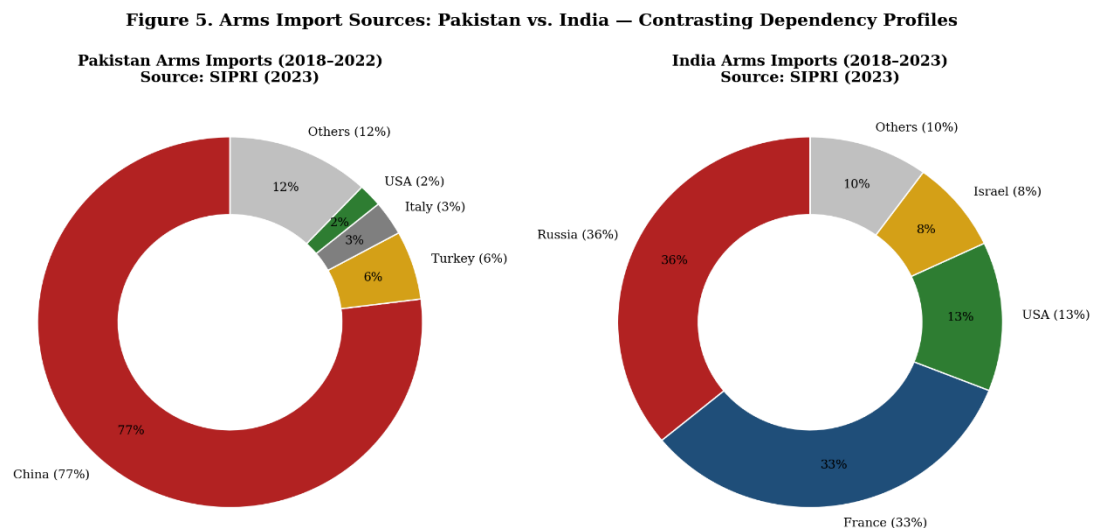


Figure 6: Arms Import Sources: Pakistan vs. India — Contrasting Dependency Profiles

Source: SIPRI Arms Transfers Database (2023); Siddiqui (2025); Lowy Institute (2025). Pakistan's 77% Chinese dependency contrasts with India's deliberate diversification toward French, American, and Israeli suppliers.

China has also established presence with 2021–2026 seeing a qualitative change toward regular continuous operations by multiple vessels a change that has been bolstered by a fully functional facility at Djibouti and an increase in vessel visits since 2023–2024 (Brewster, 2025). In fact, even though Scott (2024) characterizes the overall pattern of activity as 'strategic opportunism', rather than 'encirclement', reported Chinese interest in access expansion and exploratory activities at Kyaukpyu Port helps to continue the 'String of Pearls' concern in Indian strategic thinking (Figure 6). As a counter to this, India has developed an impressive counter-architecture as well: commissioning of India's first indigenous aircraft carrier, INF Vikrant in 2022, operationalization of the submarine-launched ballistic missile capability of INS Arihant in 2022, deepening of maritime exercises involving the Quad countries including Malabar 2024, and India coming up with a plan to operationalize the Chabahar Port, which is approximately 170 kilometers away from Gwadar, and providing an alternate route to Afghanistan and Central Asia and Russia (Singh, 2025; Jaishankar, 2025).

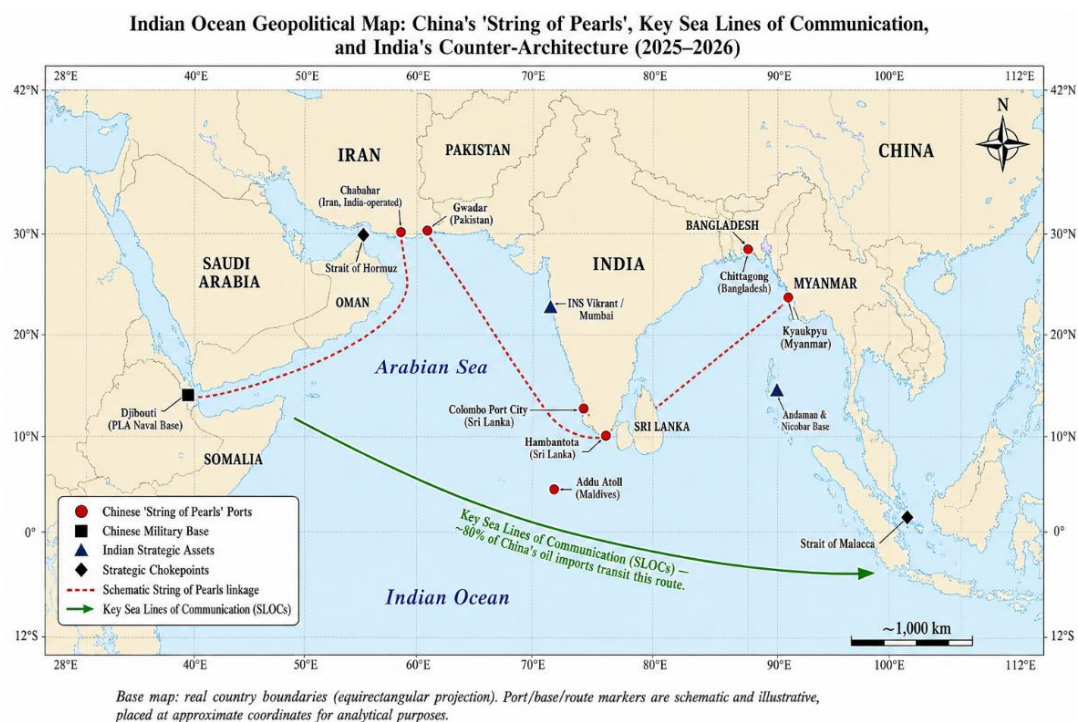


Figure 7: Indian Ocean Geopolitical Map: China's 'String of Pearls' and India's Counter-Architecture

Source: Brewster (2025); Singh (2025); Scott (2024); Lowy Institute (2025); Jaishankar (2025). Schematic representation of China's port network, key sea lines of communication, strategic chokepoints, and India's counter-architecture; not to precise geographic scale.

5.3. Nuclear Cooperation and Strategic Stability

The evidence confirms the operation of the stability-instability paradox in its most consequential and analytically novel application: a trilateral China–India–Pakistan strategic context (Table 4; Figure 8). China's nuclear and missile assistance to Pakistan simultaneously reinforces two analytically contradictory dynamics. As per the projection of future additions to the arsenal by SIPRI (2026) to reach 200–220 by 2030, combination of operationalization of Ababeel MIRV capability, deployment of Babur-3 submarine-launched cruise-missile and the maturation of Pakistan's arsenal in achieving near-parity with India (approx. 170 versus 172 warheads in 2025) strengthens second-strike credibility and limits the chances of any Indian disarming first strike, thus contributing towards the existential deterrence stability (Figure 7).

At sub-strategic level, China's propulsion and guidance-technology for the Nasr/Hatf-IX tactical nuclear system (which can also be fielded at brigade level with a range of 60–70 kilometers for specific battlefield needs and to target conventional armored thrusts) has materially brought down the nuclear-use threshold to the conventional-military level. This leads to command pre-delegation pressures that raise the risks that operational rather than strategic political military decisions might be made on the issue of nuclear use – where the risk of catastrophic miscalculation is highest and the existing crisis management frameworks less robust (Narang, 2025). The most compelling empirical evidence of this paradox comes from the Pulwama-Balakot crisis in February–March 2019 during which, while both sides narrowly averted a full-scale war, according to credible analysis of the crisis, there was an enhancement of tactical nuclear readiness to the crisis peak by Pakistan (Narang & Sagan, 2020; Basrur & Rajagopalan, 2025).

Table 3: China's Nuclear and Missile Assistance to Pakistan — Documented Transfers
(1980s–2025)

Period	Technology Transferred	System Enabled	Strategic Impact
1980s–1990s	Ring magnets; enriched uranium; weapons-design assistance	Pakistan's first nuclear device	Foundation of Pakistan's nuclear deterrence

Period	Technology Transferred	System Enabled	Strategic Impact
1990s– 2000s	M-11 short-range ballistic missiles; Shaheen propulsion technology	Shaheen-I/II MRBM series	Extended-range delivery; strategic depth coverage
2010s	KANUPP-2/3 nuclear reactors; miniaturization assistance	Expanded plutonium production; tactical warhead design	Full Spectrum Deterrence capability enabled
2017–2020	Guidance and propulsion for Ababeel MIRV	Multiple independently targetable re-entry vehicle	Penetrates Indian BMD; strategic deterrence at China level
2020–2025	Babur-3 cruise-missile technology; submarine launch system	Submarine-launched nuclear cruise missile	Maritime second-strike capability; nuclear triad element

Source: Kristensen & Korda (2025); CISS (2023); Narang (2025); Ganguly (2021).

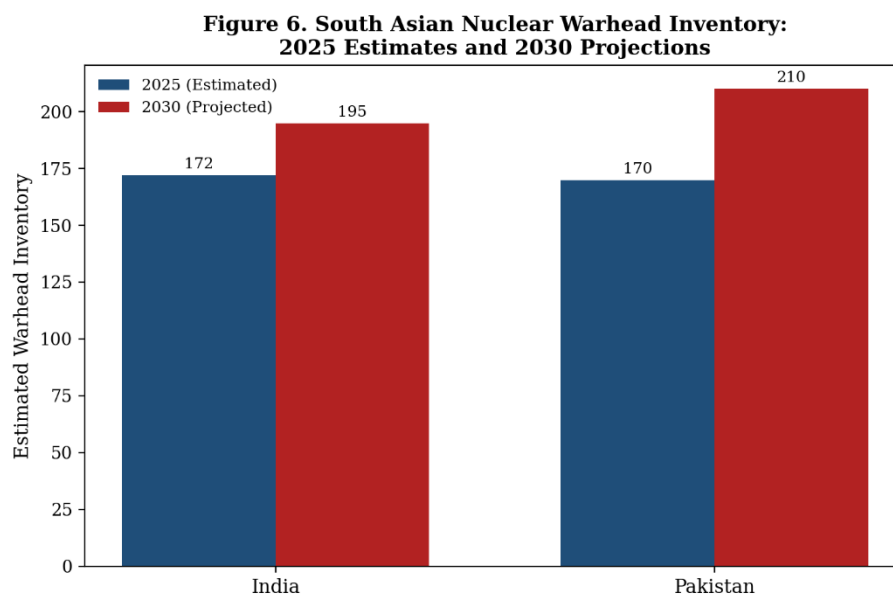


Figure 8: South Asian Nuclear Warhead Inventory: 2025 Estimates and 2030 Projections

Source: Kristensen & Korda (2025); SIPRI (2026); Narang (2025).

India's No First Use doctrine has come under sustained pressure across the study period, with senior official statements suggesting conditional reconsideration and post-Galwan two-front planning creating structural pressure for doctrinal revision — the most notable potential shift in Indian nuclear policy since 2003 (Table 5) (Singh, 2025; Basrur & Rajagopalan, 2025). Pakistan's Full Spectrum Deterrence, by contrast, explicitly retains a first-use option at the battlefield level, directly enabled by Chinese technology transfer. China's role is therefore neither straightforwardly stabilizing nor straightforwardly destabilizing but genuinely both — a conclusion this paper identifies as the most pressing strategic challenge for South Asia across the 2025–2030 horizon.

5.4. China's Hybrid Role: Synthesizing the Economic, Military, and Nuclear Dimensions

The hybrid-engagement framework (Brands 2016) of combining economic, military, informational, and nuclear instruments in mutually reinforcing ways that is greater than the sum of its parts is more apt to describe the structural interconnection of China's three strategic pillars than the domain-specific view does. The Gwadar Port is the most prominent infrastructure featuring such a design, including being a trade Centre some 400 kilometers from the Strait of Hormuz and a potential naval logistics hub for China's force presence in the Indian Ocean, presence of the Chinese paramilitary forces, and formalization of joint maritime coordination, and is an unprecedented Chinese footprint in sovereign Pakistani territory (Brewster, 2025; Siddiqui, 2025). In the spatial one could even argue geographical sense, Chabahar's operationalization under Indian control, about 170 kilometers away from Gwadar, is the icing on the cake.

The linkage between pillars takes the form of concrete methods: air-defense, maritime, and strategic missile purchases mostly from China provide direct benefits to Pakistan's military mobility and communications; China also shielded them from getting sanctioned during four such vouching's by Pakistan-based militant organizations at the UN Security Council between 2009 and 2019, removing the international accountability costs for risk-taking that would otherwise constrain escalation (Hall, 2025; Siddiqui, 2025). The sum total is an extraordinarily coherent strategic posture where the removal of any one pillar will have disproportionate costs for Pakistan benefiting from the added security of the structural strength of China's mix.

5.5. Comparative Analysis of Regional Responses (2020–2026)

The reactions to China's involvement have started to vary greatly between the South Asian countries, depending on their asymmetric power, interest and past history, and not necessarily on misunderstanding (Table 4; Figures 9 and 10). The steps taken by India after Galwan are indeed a Realist external balancing combined with a Constructivist identity assertion as a 'leading power' with civilizational responsibilities (Jaishankar, 2025), which can be seen in the increase of the defense budget to USD 88.9 billion in 2025, the institutionalization of Quad partnership, the urgency and pace of indigenous capability development, etc. But during the period of extreme fiscal distress (2022-2026), Pakistan's commitment to the alliance interpreted in an ideational manner remained intact, as Islamabad appeared to be fulfilling the conditionality of the IMF in a belt-and-braces fashion and also managed the demands of China's restructuring of Pakistani debts (Small, 2025; Husain, 2025).

Kuik argues that as the 'gray zone', which lies at the core of the concept of equidistance, is shrinking in the broader geopolitical sphere as US–China rivalry intensifies, there is an increasing spectrum of hedging behaviors displayed by the smaller South Asian states. Sri Lanka's 2022 financial startling inspired a multi-vector approach to BRI, while awakening apprehensions about BRI debt risk in that paradigmatic country case; the 2024 political transition in Bangladesh tested, but did not prove too severe, their multi-vector approach to BRI; Nepal's BRI challenges continue to revolve around multi-vector financing calculations while still critically dependent on Indian transit connectivity; and the 2023 pro-China political shakeup under President Muizzu in the Maldives exemplifies how domestic political change can quickly result in revised structural orientations (Table 4).

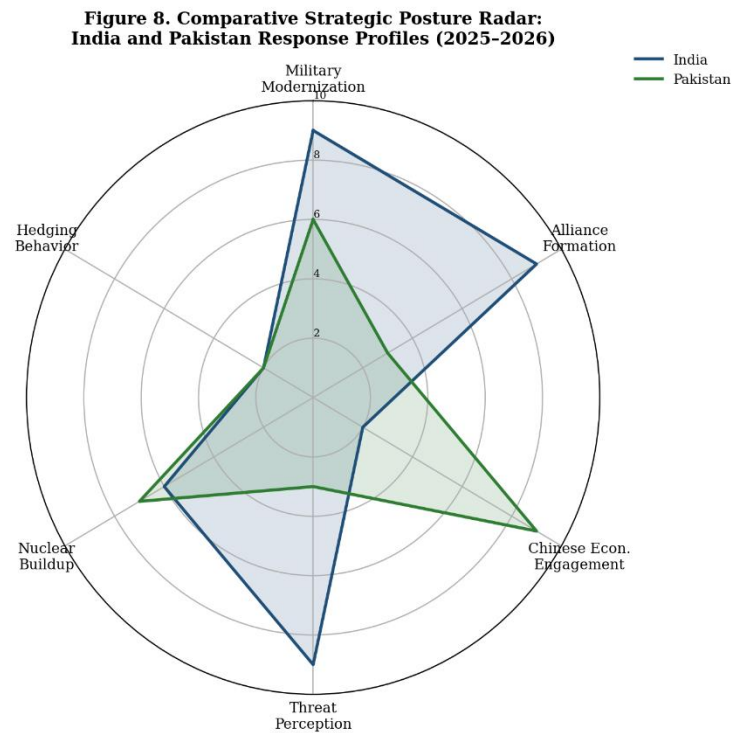


Figure 9: Comparative Strategic Posture Radar: India and Pakistan Response Profiles (2025–2026)

Source: Author's synthesis; SIPRI (2024); Kuik (2025); Jaishankar (2025); Husain (2025).

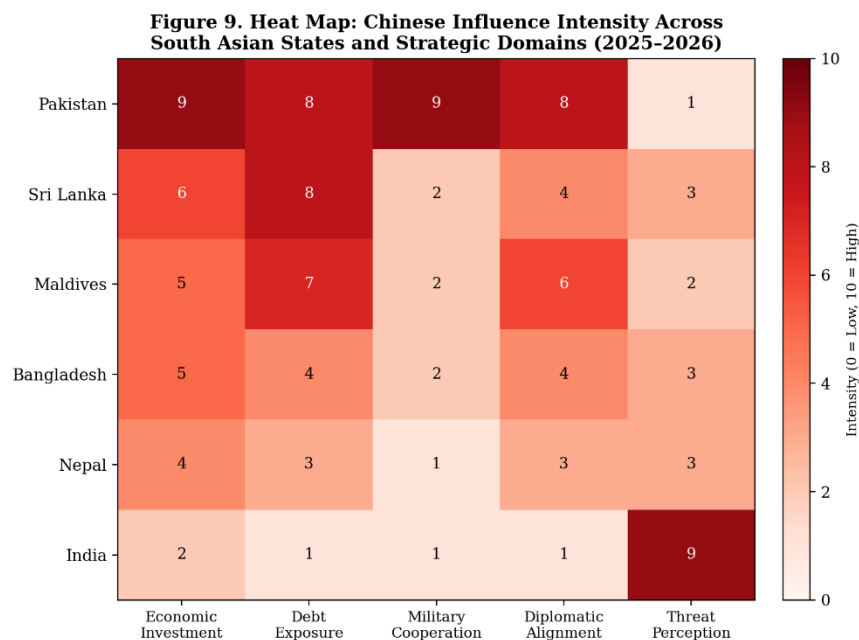


Figure 10: Heat Map: Chinese Influence Intensity Across South Asian States and Strategic Domains (2025–2026)

Source: Author's synthesis; Lowy Institute (2025, 2026); SIPRI (2024); IMF (2026); Kuik (2025); Jaishankar (2025); Siddiqui (2025).

Table 4: Country-Level Perception, Strategic Response, and Net Stability Effect

Country	Perception of China	Primary Strategy	Stability Effect
India	Revisionist competitor; primary strategic threat post-Galwan	Strategic counterbalancing + identity assertion	Structurally destabilizing: arms race; two-front tension
Pakistan	Indispensable ally; development partner; nuclear guarantor	Deep alignment; force multiplication	Mixed: stabilizing for Pakistan; destabilizing for India; fiscal stress visible
Sri Lanka	Economic partner with demonstrated sovereignty risks post-2022	Cautious post-crisis re-engagement	Mixed: recovery phase; reduced dependence sought
Bangladesh	Development partner; balance maintained through 2024 transition	Multi-vector hedging under political transition	Mixed: growth benefits; hedging broadly maintained
Nepal	Economic partner; India counterweight tool; sovereignty caution	Selective BRI; India ties dominate	Mixed: strategic balance maintained; new dependencies limited
Maldives	Debt-driven alignment 2023–2026	Oscillating; pro-China 2023 pivot	Destabilizing: debt-political alignment; reduced hedging

Source: Jaishankar (2025); Small (2025); Siddiqui (2025); Kelegama & Herath (2025); Rahman & Islam (2025); Sharma (2025); Lowy Institute (2026); Husain (2025); Kuik (2025).

5.6. Strategic Implications for South Asian Stability: A 2025–2030 Assessment

Two strategic implications dominate the 2025–2030 horizon. First, the regional arms race exhibits self-reinforcing structural momentum: Chinese assistance to Pakistan, Pakistani

procurement, and Indian modernization against dual Chinese and Pakistani threats have become embedded in defense-planning, industrial, and budgetary processes that generate organizational resistance to diplomatic de-escalation (Basrur & Rajagopalan, 2025). Second, and most acutely, the tactical nuclear threshold enabled by Chinese technology transfer to the Nasr/Hatf-IX system constitutes South Asia's most consequential emerging risk: a catalytic escalation pathway in which sub-conventional provocation could trigger conventional Indian response, Pakistani tactical nuclear use under Full Spectrum Deterrence, and massive Indian retaliation — a pathway materially enabled, though not singularly caused, by Chinese assistance (Narang, 2025). Managing this risk requires bilateral India–Pakistan crisis-management mechanisms extended, where feasible, to engage China as the structural enabler of Pakistan's escalatory posture (Table 5).

Table 5: Actor-Differentiated Policy Priorities (2025–2030)

Actor	Primary Challenge	Recommended Direction
India	Two-front deterrence management; NFU credibility; Quad deepening	Strategic deterrence + crisis management + economic alternatives to BRI
Pakistan	CPEC debt sustainability; strategic autonomy; FSD threshold risks	Diversified partnerships + debt management + domestic industrial development
China	Preventing regional backlash; CPEC sustainability; avoiding nuclear escalation.	Transparent, rules-based economic engagement + strategic restraint
Smaller States	Preserving hedging space under great-power competition	Multi-vector engagement + institutional resilience

Source: Jaishankar (2025); Husain (2025); IMF (2026); Narang (2025); Basrur & Rajagopalan (2025).

6. Key Findings

- **Finding 1** — Economic engagement is conditionally stabilizing. China's BRI and CPEC investments have delivered genuine infrastructure and energy benefits, but the 2024–2025 debt-renegotiation crisis demonstrates that these same investments generate structural leverage over recipient states regardless of China's original intent.
- **Finding 2** — Military engagement functions as a security-dilemma amplifier. China's arms transfers and defense cooperation with Pakistan have strengthened Pakistani deterrence while simultaneously driving Indian military modernization, transforming a bilateral India–Pakistan dilemma into a self-reinforcing triangular competition.
- **Finding 3** — Nuclear cooperation produces a dual stability effect. China's nuclear and missile assistance has strengthened Pakistan's second-strike credibility while simultaneously enabling the Nasr-based Full Spectrum Deterrence posture that lowers the tactical nuclear-use threshold.
- **Finding 4** — China's hybrid strategy is structurally inseparable. China's economic, military, and nuclear instruments are mutually reinforcing rather than parallel, as Gwadar's dual commercial-strategic character exemplifies.
- **Finding 5** — Regional responses diverge by structural position, not misperception. India's counterbalancing, Pakistan's alignment, and smaller states' hedging are rational responses to each actor's distinct position within the regional security hierarchy.
- **Finding 6** — The tactical nuclear threshold is South Asia's most acute emerging risk. The 2019 Pulwama-Balakot crisis empirically confirmed the stability-instability paradox in operation, with China's enabling role in Pakistan's tactical nuclear posture identified as the central strategic challenge for South Asia through 2030.

Throughout this paper, an integrated Realist–Constructivist framework is used, resulting in three different theoretical contributions. First, it shows that Brands' (2016) hybrid-engagement approach, which originally was built to analyze Russian engagement in Europe, is analytically useful when applied to South Asia as it captures inter-domain dynamics between China's economic, military and nuclear instruments of engagement that are systematically ignored in any of the three domains. Second, it studies the stability-instability paradox as played out in a trilateral strategic context between China, India and Pakistan instead of the bilateral context in which it was conceived by Snyder (1965); this helps to clarify how the third-party dimension of China brings out the destabilizing sub-

strategic dimension of the paradox while maintaining its macro-level stabilizing function. Third, it exemplifies ideational factors' constitutive effects, implying that material analysis alone—specifically the cost-benefit calculations of each state—cannot fully account for the identity-making element of Galwan on Indian strategic culture and Pakistan's continuous alignment in the face of acute fiscal stress, but these factors are provided by Constructivist theory (Wendt, 1999; Hall, 2025; Small, 2025).

The implications of these theoretical points go beyond the South Asian case and the study of the reaction of secondary powers and smaller states to great-power hybrid engagement within the current international system. The South Asian cases suggest that pure materialist approaches to the measurement of great-power influence will systematically underestimate the extent and durability of great-power clients during times of material strain, while pure ideational approaches to measuring influence risk understating its structural leverage during material strain even when the intentions are known. Whether the integrated template developed in this paper — combining Realist attention to material capability with Constructivist attention to identity and perception — travels productively to comparable cases, such as Chinese engagement in Southeast Asia or Russian engagement in Central Asia and the Caucasus, is a question this paper leaves to future comparative scholarship.

7. Conclusion

The interactions between China and South Asia, including its economic, military, and nuclear interests, have matured to the point that this paper sought to understand if China is becoming a stabilizing force. The results show that the role of China is not simple and cannot strictly be depicted as positive or negative. In the economic sphere, BRI/CPEC provided tangible and measurable infrastructure benefits of cumulative investments in the region to the extent of more than USD 100 billion, and more than 5000 Megawatts to Pakistan's national grid, while the debt-renegotiation crisis of 2024–25 evidenced its structural leverage as it existed independently of China's original developmental goals. As far as arms are concerned, China provided Pakistan with a strengthening of its conventional deterrence capability but, as a security dilemma amplifier, has fueled India's military spending, which reached USD 88.9 billion in 2025, and civilianized military planning for two-front scenarios. It is noteworthy to state that the Galwan clash of June 2020 was, indeed, an event of distinction as it has directly influenced the Indian strategic culture, irrespective of the subsequent material developments.

The most important discovery is regarding the nuclear domain. China's contributions in nuclear and missile programs Ping Fan, Ababeel MIRV system, Babur-3 submarine-launched cruise missile, and, most importantly, the propulsion and guidance technology of the tactical system Nasr/Hatf-IX-proved to have a genuinely dual strategic effect: macro-level deterrence stability due to second-strike reinforcement, sub-strategic destabilization by operationalizing Full Spectrum Deterrence to the conventional battlefield, and command pre-delegation pressures. Snyder's (1965) stability-instability paradox was empirically confirmed most clearly by the 2019 Pulwama-Balakot crisis. This paper's extension of the paradox to an explicitly trilateral China–India–Pakistan framework showing how China's external nuclear patronage sustains the paradox's stabilizing macro-level function while intensifying its destabilizing sub-strategic dimension constitutes its principal theoretical contribution.

This paper's results also carry direct implications for how strategic stability itself is conceptualized under conditions of asymmetric great-power involvement. Traditional strategic-stability frameworks, formulated primarily around the symmetric bilateral U.S.–Soviet nuclear balance of the Cold War, are structurally inadequate to a South Asian context in which a growing extra-regional nuclear power supplies capability to one bilateral partner in a relationship that is simultaneously deepening and increasingly confrontational with the other. This paper's extension of the stability-instability paradox to a trilateral model represents one attempt to adapt strategic-stability theory to this more complex reality; further theoretical refinement will likely be required as China's regional role, and the roles of other external powers in comparable regional contests, continue to evolve across the remainder of the decade.

A comparison of the paper's results also clearly illustrates that the relative differences in the regional positions of the various actors (e.g., India counterbalancing, Pakistan locked in despite fiscal pressures, and smaller states turning to more and more constrained hedging) do not stem from analytical mistakes or from the actors' misperceptions, but from each actor's structural position in the regional security hierarchy. These conclusions come with epistemic modesty: They reflect the state of affairs up to 2026, and China's regional role and its provocation continue to change in an ongoing manner. The importance of this paper must rather be seen not as an ultimate account of China's South Asian involvement, but as a descriptive effort, grounded in a theoretical analysis, of a structural dynamic which can be observed over a significant period in strategic South Asian history, as a foundation for further empirical and theoretical work.

8. Recommendations

The following recommendations are organized by actor rather than by theme, reflecting this paper's central finding that China's hybrid engagement produces structurally differentiated effects across actors. They should be considered as part of an integrated regional solution, as the paradox of China's involvement cannot be solved by taking on economic, military and/or nuclear aspects without regard to the other.

8.1. Recommendations for Pakistan

To avoid getting into debt servicing binds and unsustainable IPP capacity payments in the future, Pakistan should institute independent fiscal-appraisal mechanisms, based on the lessons learnt from the debt-renegotiation crisis of 2024-25, for future loans to be disbursed under CPEC. In light of the command pre-delegation risk found in this paper, an independent institutional audit of command protocols of tactical nuclear systems like Nasr is necessary. But there is a need to diversify economic relationships with those in the Gulf and Central Asia, as well as to provide parliamentary oversight over big bilateral deals before being ratified to remove structural dependency while maintaining the substantive value of the Chinese partnership.

8.2. Recommendations for India

India should continue full operationalization of its nuclear triad, including its ballistic-missile submarine fleet, to sustain credible deterrence under two-front pressure, while resolving the doctrinal ambiguity surrounding No First Use, since this paper finds sustained ambiguity to carry both stabilizing and destabilizing effects. Continued investment in the Quadrilateral Security Dialogue and BRI-independent connectivity options such as the Chabahar–INSTC corridor would consolidate India's regional position without foreclosing crisis-management engagement with Beijing. Strengthened early-warning and crisis-monitoring systems addressing sub-strategic and tactical nuclear escalation, informed by the Pulwama-Balakot precedent, are similarly warranted.

8.3. Recommendations for China

China should adopt greater transparency in BRI lending, including publication of debt-sustainability assessments, to mitigate the reputational and structural risks demonstrated by the

Sri Lankan and Pakistani debt crises analyzed in this paper. Greater caution regarding further ballistic and nuclear-technology assistance that lowers the tactical nuclear threshold would serve China's own long-term regional interests. Separating, where feasible, the civilian and potential military functions of dual-use infrastructure such as Gwadar would reduce the interpretive ambiguity that this paper identifies as a primary catalyst of Indian threat perception, without necessarily compromising China's underlying strategic objectives.

8.4. Recommendations for Smaller South Asian States

Sri Lanka, Bangladesh, Nepal, and the Maldives should pursue diversified, multi-vector engagement strategies rather than concentrated reliance on a single external partner, following Bangladesh's comparatively more successful model. Strengthened domestic institutional capacity for independent debt-sustainability analysis prior to accepting large-scale infrastructure financing, alongside regional coordination on investment standards and shared technical expertise — potentially through BIMSTEC — would improve smaller states' negotiating position vis-à-vis Chinese state financial institutions.

8.5. Recommendations for the International Community and Regional Organizations

Multilateral financial institutions and major external powers should work toward transparent, rules-based infrastructure-financing frameworks to mitigate the structural leverage risks identified throughout this paper. The international community should support development of a South Asian strategic-stability dialogue mechanism, potentially through incremental technical-track engagement with China, India, and Pakistan individually, addressing emerging risks including tactical nuclear weapons, hypersonic systems, and AI-enabled nuclear command and control. Regional organizations, including SAARC and BIMSTEC, should be strengthened as platforms through which smaller states can collectively engage external powers, while Chinese state financial institutions should be encouraged to adopt co-financing arrangements with regional development banks incorporating multilateral oversight standards from project inception rather than after financing is secured.

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