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RESEARCH REPORT

Pakistan & China at 75 Years

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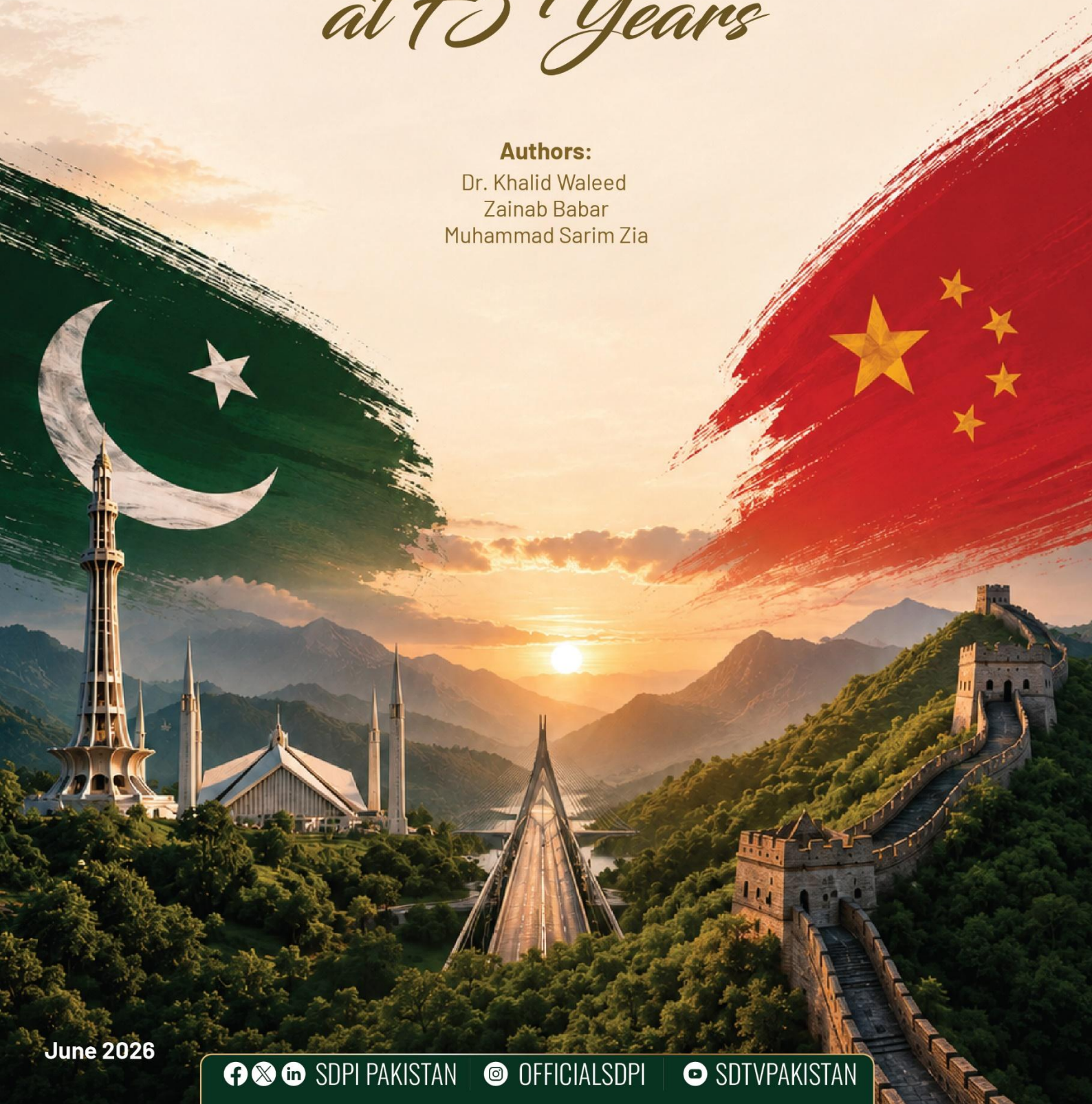

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Contents

Preface: Framing the Study

On 21 May 1951, Pakistan and the newly emerged People's Republic of China exchanged formal letters of recognition. Few moments in twentieth-century diplomacy have aged so consequentially. What began as a measured Cold War accommodation during Pakistan's alignment with the US-led security architecture has, three quarters of a century later, matured into what diplomats on both sides describe as an 'all-weather strategic cooperative partnership'.

That phrase ritualized is empirically defensible. Across seventy-five years marked by hot wars in 1965 and 1971, the Sino-Soviet split of the late 1960s, the Sino-American détente, the Soviet-Afghan war, the Cold War's end, the 9/11 watershed, the global financial crisis of 2008, the COVID-19 pandemic, and now an emerging multipolar order being reshaped by AI, decarbonization, currency multipolarity, and a hardening of technology controls, the Pakistan-China axis has displayed a consistency unmatched by almost any other South-South partnership in the modern state system.

This report is a milestone in the backdrop of Pakistan-China ties. The first phase of the China-Pakistan Economic Corridor (CPEC), by any reasonable accounting, transformed Pakistan's power supply, motorway connectivity, and port infrastructure. Phase II has now formally re-launched, and 2026 has been designated by the two countries as a year of expanded investment outreach and commemoration (Embassy of the People's Republic of China in Islamabad, 2026). Pakistan's globally acknowledged solar revolution is powered by Chinese solar panels. The April-May 2026 visit of President Asif Ali Zardari to China, coinciding with the 75th-anniversary celebrations, has injected fresh political momentum into the bilateral docket (Jadoon, 2026). Yet, precisely at the same moment, Pakistan's power sector is confronted with circular debt of over PKR 2.4 trillion. Its trade deficit with China has widened, security incidents involving Chinese nationals continue to test patience, and global political economy is being reshaped by forces no government in either capital can unilaterally command. To read 2026 as either an unbroken triumph or a creeping disappointment is to read it incompletely. However, this trade asymmetry is increasingly viewed as a structural impetus for Pakistan to enhance its industrial productivity and export competitiveness. The challenge lies not only in the volume of imports, but also in the urgency of upgrading Pakistan's supply-side capabilities to meet the Chinese market needs.

Two further developments make this report more than a routine commemorative exercise. First, China has, since 2021, articulated a sequence of four global initiatives, the Global Development Initiative, the Global Security Initiative, the Global Civilization Initiative, and most recently the Global Governance Initiative, that together constitute the most ambitious normative architecture proposed by any major power since the Bretton Woods consensus. Pakistan is among the first-mover supporters of all four. Second, the Government of Pakistan has launched URAAN Pakistan, a National Economic Transformation Plan organized around the 5Es framework, i.e. Exports, E-Pakistan, Environment and Climate Change, Energy and Infrastructure, and Equity, Ethics and Empowerment, envisioning a USD 1 trillion economy by 2035 and USD 3 trillion by 2047 (Ministry of Planning Development and Special

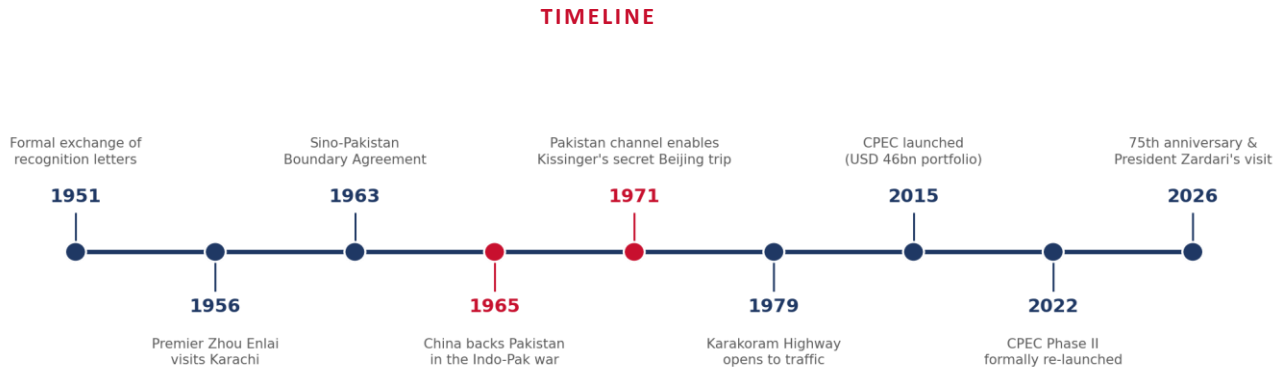
Initiatives, 2025). The strategic question this report discusses is not whether Pakistan and China should cooperate (that question was settled long ago), but how the operating systems of CPEC 2.0, the GDI/GSI architecture, and the 5Es framework can be aligned to maximize developmental yield over the next twenty-five years.

The intellectual posture of this report is therefore deliberate. It is celebratory where the evidence warrants celebration, candid where structural weaknesses persist, and forward-looking in identifying avenues, financial, industrial, scientific, climatic, that can carry the partnership into its second seventy-five years. The author writes with the conviction that the Pakistan-China relationship is not merely transactional but based on mutual respect for sovereignty in a shared rejection of hegemonism and in the lived reality of two peoples, who have stood together through floods, wars, earthquakes, and pandemics. One must concede that this is among the most enduring bilateral relationships of the modern era and certainly the most important external relationship Pakistan possesses.

A Note on Methodology

The analysis draws on triangulated sources, including official communiqués of the foreign ministries of the two states, Joint Cooperation Committee proceedings of CPEC, statistical releases from the State Bank of Pakistan, Pakistan Bureau of Statistics, National Bureau of Statistics of China, and UN Comtrade. Other sources of data include peer-reviewed scholarship from journals (including Energy Policy, Resources Policy, Energy for Sustainable Development, Frontiers in Marine Science, Frontiers in Sustainable Food Systems, Scientific Reports, Nature Communications, Journal of Asian Economics, World Development, South African Journal of International Affairs, and Journal of Contemporary China). Similarly, institutional reporting from the World Bank, IMF, IEA, BIS, World Resources Institute, Ember, Atlantic Council, and China Leadership Monitor is the part of it. Some of the grey literature from think tanks, including the Pakistan Business Council, PIDE, IDSA, Sustainable Development Policy Institute, RUSI, and CSIS has also been studied5. All bilateral statistics are presented with both Pakistani and Chinese counterpart figures where discrepancies exist. This is a methodological choice, since reported import-export asymmetries themselves carry analytical content.

1. Seven Decades of Strategic Trust: A Historical and Diplomatic Arc



Selected milestones in seventy-five years of Pakistan-China diplomatic and strategic engagement, 1951-2026.

1.1 Recognition and Founding Decade (1950-1960)

The genesis of Pakistan-China relations cannot be understood through the lens of present-day strategic calculation alone. Thus, history is the true mirror. In January 1950, Pakistan became one of the first non-communist states to recognize the People's Republic of China. Formal diplomatic ties followed on 21 May 1951 that made Pakistan the first Muslim-majority country to do so (Awan 2026). The decision was strategically bold for its time. Despite being the Western-aligned member of SEATO (1954) and CENTO (1955), the US-led collective-security frameworks, Pakistan decided to engage Beijing on the principle of state sovereignty and peaceful coexistence rather than ideological conformity. This was not merely a pragmatic hedge; it reflected a foundational reading by Pakistan's early policy makers, that long-term strategic stability in Asia would require accommodation rather than encirclement of the rising Chinese state.

The early decade was marked by careful but consequential gestures. Pakistan supported the seating of the People's Republic of China at the United Nations in successive General Assembly votes through the 1950s when most of the US allies opposed it. Pakistan abstained from the 1950 Korean intervention vote on terms acceptable to Beijing; and the then Prime Minister Hussain Shaheed Suhrawardy's visit to Beijing in 1965 was the first by a leader from a US-allied state. From the Chinese side, the diplomatic response was reciprocal. Premier Zhou Enlai visited Karachi in 1956, declining the conventional Cold War demand that Pakistan choose sides. Khan (2024) documents, in his political-economy reading of the partnership, that the reciprocity established in this founding decade became the template for all subsequent crisis period behaviour: each side has, at successive junctures, refused to demand that the other compromise on a third-party relationship, and each, in moments of geopolitical pressure on the other, has chosen quiet support over public alignment.

1.2 Boundary Settlement and 1965 War (1960-1971)

The 1963 Sino-Pakistan Boundary Agreement crystallized what had been a tacit understanding into an explicit settlement. Though comparable boundary disputes elsewhere in Asia produced wars (most consequentially the 1962 Sino-Indian conflict that erupted only months earlier), the Pakistan-China negotiations produced a clean delineation of the 596-kilometre frontier through a process of mutual accommodation. The boundary settlement was not technically simple: it required Pakistan to formally cede approximately 2,000 square kilometres of territory in the Trans-Karakoram Tract while gaining recognition of approximately 5,300 square kilometres elsewhere. In strategic terms, however, the settlement transformed the ambiguous northern frontier into a settled border and provided the geographic foundation that would later make the Karakoram Highway physically and politically possible.

The 1965 Indo-Pakistan war was the first major test of the relationship under fire. Beijing's response, a formal note to New Delhi accusing India of aggression on the Tibet-Sikkim border, the mobilization of Chinese forces in the Aksai Chin sector during the conflict, and the supply of small arms and ammunition during a period when most Western suppliers had imposed an embargo, was decisive in shaping Pakistan's strategic memory. As Small (2015) notes in the most authoritative single-volume study of the partnership, what Beijing did in 1965 was less consequential in immediate military terms than in establishing the diplomatic principle that China would not stand on the sidelines when Pakistan's territorial integrity was threatened. The 1971 war, by contrast, demonstrated the limits of Chinese support. Though Beijing's rhetoric was strong, China's willingness to risk direct intervention against an India backed by a Soviet treaty commitment was understandably constrained. Yet it was in the same year, 1971, that Pakistan's strategic indispensability to Beijing was dramatically demonstrated through the secret facilitation of Henry Kissinger's journey to Beijing, the prelude to the Nixon-Mao détente that reshaped the global cold war. As Kissinger himself later wrote that the Pakistan's channel was "the one that worked when others could not".

1.3 Karakoram Era and Defence Symbiosis (1970-2000)

The Karakoram Highway, opened to traffic in 1979 after nearly two decades of construction, is among the most extraordinary engineering and political achievements of the twentieth century. The 1,300-kilometre route from Hasanabdal in Pakistan to Kashgar in Xinjiang traverses the highest paved international border crossing in the world (the Khunjerab Pass at 4,693 metres) and required the relocation of entire valleys, the bridging of glacial rivers, and the loss of approximately 800 Pakistani and 200 Chinese lives during construction. The KKH was not commissioned for trade volumes, nor was the route one that could realistically sustain; rather it was commissioned because the political signal of a permanent physical link mattered more than any short-run economic calculus. Three decades later, the same logic would inform the choice to invest in China-Pakistan Economic Corridor (CPEC).

Defence cooperation, which had begun with small arms' transfers in 1965-66, deepened through the 1980s into structured technology partnerships. Co-production of the Al-Khalid main battle tank, the

K-8 Karakorum trainer aircraft, and a series of small arms platforms, transfers of M-9 and M-11 missile technologies that would underpin Pakistan's strategic deterrent, and the Chinese contribution to Pakistan's nuclear and missile capabilities through what remains a classified chapter of the relationship together constitute the most substantive defence technology transfer that any non-treaty partner has received from the People's Republic. The relationship was decisively asymmetrical from the Chinese side: Beijing supplied platforms, technologies, and training that it withheld from many of its other partners, and accepted Pakistani modifications and re-exports that it refused other clients.

1.4 Institutionalization: From Goodwill to Architecture (2000-2015)

The post-Cold War decades transformed an essentially personal friendship into treaty-based architecture. Five inflection points deserve emphasis. The 2003 Joint Declaration on Direction of Bilateral Cooperation, 2005 Joint Declaration on Friendship, Cooperation & Good-Neighbourly Relations, 2006 China-Pakistan Free Trade Agreement Phase I, 2008 announcement of long-term strategic cooperative partnership, and 2015 elevation to an All-Weather Strategic Cooperative Partnership during President Xi's visit to Islamabad together constitute one of the densest bilateral legal frameworks any developing country shares with a major power (Ministry of Foreign Affairs, People's Republic of China, 2026). It was in 2013 that President Xi formally proposed the Belt and Road Initiative. The CPEC, announced in 2015 with USD 46 billion initial commitments, became its inaugural and flagship corridor.

1.5 All-Weather Strategic Cooperative Partnership (2015-2026)

The 2015-2026 period is best characterized as the operationalization of partnership at scale. Phase I of CPEC delivered approximately 8,000 MW of new generation capacity, 510 km of motorways, Gwadar Port development, and provision of 261,000 direct jobs by mid-2025 (Embassy of the People's Republic of China in Islamabad, 2026). The 2024 Action Plan for Building a China-Pakistan Community with a Shared Future, signed during Prime Minister Shehbaz Sharif's visit to Beijing, formally committed both states to align their long-term planning frameworks. The 7th round of China-Pakistan Foreign Ministers' Strategic Dialogue, held in Beijing on 3-5 January 2026 and chaired by Foreign Minister Wang Yi and Deputy Prime Minister Mohammad Ishaq Dar, formally inaugurated commemorative activities for the 75th anniversary and unveiled the bilateral commemorative emblem (Ministry of Foreign Affairs 2026; Pakistan Observer, 2026). The April-May 2026 visit of President Zardari to China with courtesy stops in Hunan and Hainan provinces, and signing of bilateral cooperation agreements covering agriculture, tea, manufacturing, and maritime security, has further consolidated the partnership's political momentum (Pakistan Today, 2026).

1.6 Defence Cooperation: From Client to Co-Producer

Defence cooperation has matured into something rare in the global arms-transfer literature: a producer-consumer relationship that has migrated towards genuine co-development. Three

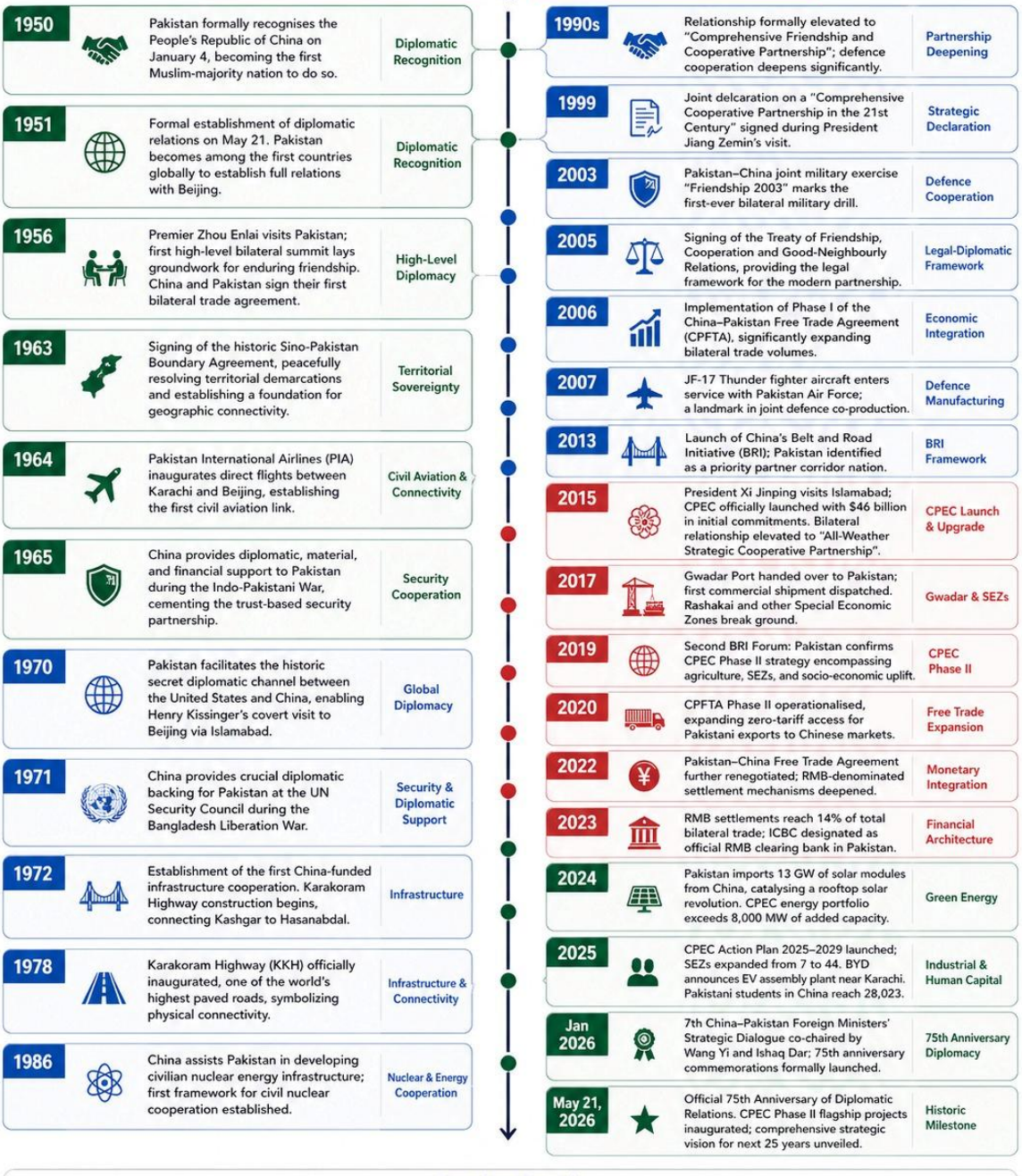
programmes deserve specific note. The first programme, JF-17 Thunder, jointly developed by the Pakistan Aeronautical Complex and the Chengdu Aircraft Industry Group, has produced over 150 airframes, exported to Nigeria, Myanmar, Azerbaijan, and Iraq, and reached the Block-III variant with active electronically scanned-array radar and beyond-visual-range engagement capability. The second programme, Type 054A/P frigate, has delivered four state-of-the-art air-defence frigates to the Pakistan Navy; and the third one, the joint Hangor-class submarine programme, the largest single submarine acquisition in Pakistani naval history at eight platforms with air-independent propulsion, has the first submarine due to enter service in 2026 (People's Daily Online, 2026). What is striking analytically, is the asymmetry of risk-sharing: China has consistently supplied Pakistan with defence platforms it has refused to release to other clients, including in domains where supply restrictions to non-allies are otherwise tight. The 2025 conflict episode with India, in which Chinese-supplied air-defence and electronic-warfare platforms reportedly performed as advertised, has further deepened the operational case for the partnership (China-Global South Project, 2025).

1.7 Civilizational Reading

The diplomatic record alone does not explain the resilience of the relationship. The Karakoram Highway (KKH), opened in 1979 and built at considerable human cost on both sides, is rightly described as the world's eighth wonder; but it is also the visible manifestation of an underlying civilizational trust. The relationship has sustained itself across five Pakistani transitions between civilian and military governments and across the leadership transitions in Beijing from Mao through Xi. This continuity is not accidental, but it reflects the institutionalized conviction in both establishments that the other is strategically indispensable. As Small (2015) argued in his seminal study of the partnership, the Pakistan-China axis is one of the few bilateral relationships in which both sides consistently credit the other with helping safeguard their core national interests, a perception that constitutes a self-reinforcing strategic asset. The phrase that has captured the public imagination on both sides, "higher than the mountains, deeper than the oceans, stronger than steel, sweeter than honey", is itself an interesting object of analysis: it is believed to be the only bilateral characterization in modern international relations that has been ratified through repeated official use over decades by both governments without ever appearing dated.

Pakistan–China Diplomatic Relations Timeline

75 Years of Friendship, Cooperation and Shared Development



Sources: Council on Foreign Relations (CFR), 2024; Indian Council of World Affairs (ICWA), 2024; Government of Pakistan, Ministry of Foreign Affairs; Planning Commission of Pakistan; CPEC Authority; State Bank of Pakistan; official press releases and public domain data.

2. Architecture of China's Global Initiatives and Pakistan's Strategic Convergence

Between 2021 and 2025, China articulated a sequence of four global initiatives that together represent the most ambitious normative architecture proposed by any major power since the Bretton Woods consensus. The initiatives are not stand-alone policy proposals; they are interlocking elements of a coherent attempt to reframe global development, security, civilizational, and governance norms around the principle of 'a community with a shared future for mankind'. Pakistan has been a first-mover supporter of all four. This section examines each initiative, situates Pakistan's engagement, and identifies the operational opportunities for the next decade.

GDI (2021) 8 priority areas Development as priority		**GSI (2022) 6 commitments Indivisible security**
	A Community with a Shared Future for Mankind	
GCI (2023) Civilisational dialogue Mutual learning		GGI (2025) Global governance Reform of UN order
PAKISTAN: First-mover supporter of all four initiatives		

Figure 1 illustrates the architecture of China's four global initiatives, GDI, GSI, GCI, and GGI, each anchored in the overarching concept of a community with a shared future for mankind, with Pakistan among the first-mover supporters of all four.

2.1 Global Development Initiative (GDI)

Proposed by President Xi Jinping at the General Debate of the 76th session of the United Nations General Assembly on 21 September 2021, the Global Development Initiative is the foundational pillar of the new architecture. Its full title, "Global Development Initiative: Building on 2030 SDGs for Stronger, Greener and Healthier Global Development", explicitly anchors the initiative in the UN Sustainable Development Goals rather than presenting an alternative framework (Ministry of Foreign Affairs, People's Republic of China, 2021; Congressional Research Service, 2025). The GDI articulates eight priority areas such as poverty alleviation, food security, pandemic response and vaccines, financing for development, climate change and green development, industrialization, digital economy, and connectivity in the digital era. It is undergirded by six core principles, which are development as priority, people-centred approach, benefits for all, innovation-driven development, harmony between human and nature, and results-oriented action.

Operationally, the GDI is anchored at the United Nations through the Group of Friends of the GDI, comprising more than 80 member states by 2025, and through approximately USD 11 billion in initial Chinese pledged contributions to the Global Development and South-South Cooperation Fund and the

China-UN Peace and Development Trust Fund. As of August 2025, the People's Republic of China has reported sponsoring more than 400 material assistance and technical programmes besides nearly 700 human-development projects under the GDI banner with recipients spanning Cambodia, Eritrea, Peru, Singapore, Syria, and many others (Congressional Research Service, 2025). One-third of GDI projects are in Asia whereas one-third in Africa, with the remainder distributed across Latin America, the Pacific, and Eastern Europe.

Pakistan's engagement with the GDI has been substantive and institutional. Ambassador Munir Akram, in his April 2024 statement to the high-level meeting of the Group of Friends, characterized the GDI as a "clear framework to achieve the SDGs" and emphasized two areas of Pakistani priority: development financing and viable project pipelines (China's Global Development Initiative 2024). Pakistan's alignment with the GDI is not rhetorical, it is structurally consistent with the country's national priorities. Each of the eight GDI priority areas maps directly onto a constraint that URAAN Pakistan seeks to address:

- Poverty alleviation onto the 5E pillar of Equity and Empowerment;
- Food security onto the agricultural cooperation under CPEC Phase II;
- Pandemic response onto the joint Sinopharm-CanSino vaccine production at NIH Islamabad;
- Financing for development onto the Panda Bond and RMB-denomination opportunities discussed later in this report;
- climate change onto the bilateral carbon-market cooperation;
- industrialization onto the SEZ programme; digital economy onto the E-Pakistan pillar; and
- Connectivity onto CPEC itself.

As regards, the GDI provides Pakistan with an external normative scaffold that is unusually well-aligned with its own development agenda.

Box 2.1. GDI Priority-Area Mapping for Pakistan

Poverty Alleviation: The Pakistan-China cooperation on poverty graduation in Balochistan, building on China's domestic experience of lifting more than 770 million people out of poverty since 1978, provides a methodological template directly applicable to Pakistan's 20 poorest districts identified in URAAN Pakistan. Food Security: Joint agricultural-research programmes at the National Agricultural Research Centre, hybrid-seed cooperation, and the 1,000-trainee 2025 agricultural training programme in China together represent the most concrete bilateral cooperation under this priority. Climate Change and Green Development: Article 6.2 ITMO cooperation, VM0052 Coal-to-Clean credits, and joint MRV infrastructure constitute the operational frontier (developed in Section 6). Industrialization: SEZs at Rashakai, Allama Iqbal, Dhabeji, and Bostan are the principal operational vehicles. Digital Economy: 5G rollout, data-centre cooperation, AI translation, and Urdu-Mandarin natural-language processing collaboration. Connectivity: CPEC physical and digital corridors, including the Pak-China fibre-optic cable

2.2 Global Security Initiative (GSI)

Proposed by President Xi Jinping at the Boao Forum for Asia on 21 April 2022, the Global Security Initiative was articulated through a detailed Concept Paper released by the Ministry of Foreign Affairs of the People's Republic of China on 21 February 2023. The GSI is structured around six core

commitments: (i) a vision of common, comprehensive, cooperative, and sustainable security; (ii) respect for the sovereignty and territorial integrity of all countries; (iii) abiding by the purposes and principles of the UN Charter; (iv) taking the legitimate security concerns of all countries seriously; (v) peacefully resolving differences and disputes through dialogue and consultation; and (vi) maintaining security in both traditional and non-traditional domains (Ministry of Foreign Affairs, People's Republic of China, 2023;). The Concept Paper identifies twenty cooperation priorities and five platforms/mechanisms, including the Boao Forum, the Beijing Xiangshan Forum, the Global Public Security Cooperation Forum, and the Lianyungang Forum on East Asia Security.

The intellectual foundation of the GSI is the principle of "indivisible security", the proposition that no country can have its security ensured while the security of other countries is compromised. The principle has been controversial in Western analyses, particularly because Russia has invoked it to justify its 2022 invasion of Ukraine. Yet the term itself originates in Cold War dialogue and was endorsed by NATO partners in the 1975 Helsinki Final Act, where it appears as the foundational principle of European security architecture (RUSI, 2022). The deeper analytical point is that the GSI represents an attempt by Beijing to reframe global security discourse around a concept that is operationally indistinguishable from much of the post-1945 collective-security tradition while explicitly rejecting the strategic security architecture that has structured Western security policy since 1949.

Pakistan's endorsement of the GSI has been clear and operational. Pakistan was among the earliest Asian states to formally support the GSI in joint statements, and the Pakistan-China-Iran trilateral counterterrorism consultation, explicitly identified by Beijing as a flagship operational deliverable under the GSI framework, represents the most concrete manifestation of GSI cooperation in Asia (Ministry of Foreign Affairs, People's Republic of China, 2024). The first round of the trilateral consultation, held in 2023, addressed cross-border terrorism, the financing of armed non-state actors, and intelligence cooperation; subsequent rounds have institutionalized the framework. For Pakistan, the GSI provides an explicit normative justification for the kind of multi-vector security cooperation that has characterized Pakistani foreign policy in practice for decades, a cooperation framework that does not require, and indeed explicitly opposes, alignment against any third party.

The Shanghai Cooperation Organization, in which Pakistan is a full member since 2017 and which it will chair as rotating president from 2026 to 2027, constitutes the most consequential multilateral platform through which the GSI principles are being operationalized in Asia. The SCO's Regional Anti-Terrorist Structure, SCO Forum on counter-narcotics, and SCO's extended dialogue on cybersecurity together provides the institutional architecture through which Pakistan's GSI engagement can produce tangible cooperative outcomes (Ministry of Foreign Affairs 2026).

Box 2.2. Pakistan-China-Iran Trilateral and Operational GSI

Pakistan-China-Iran trilateral consultation on counterterrorism and security first convened in 2023 and now held annually, represents a textbook example of GSI operationalization. It addresses the spillover of non-state armed-actor activity from Afghanistan into all three countries; coordinates intelligence on transnational drug-trafficking networks; and provides a calibrated alternative to strategic collective security. For Pakistan, the trilateral is doubly valuable: it secures Pakistani security cooperation with two of its most consequential neighbours without requiring Pakistan to take a side in the US-Iran tensions, and it positions Pakistan as a constructive convener at the intersection of South Asia, the Gulf, and Central Asia. The framework has produced concrete deliverables, including joint training exercises, intelligence-sharing protocols, and coordinated border-security cooperation along the Pakistan-Iran and Pakistan-Afghanistan frontiers.

2.3 Global Civilization Initiative (GCI)

Proposed by President Xi Jinping at the CPC in Dialogue with World Political Parties High-Level Meeting on 15 March 2023, the Global Civilization Initiative is structured around four advocacies: i) respect for the diversity of civilizations, ii) common values of humanity, iii) importance of inheritance and innovation of civilizations, and iv) robust international people-to-people exchanges and cooperation. While the GCI has received less academic scrutiny than the GDI or GSI, it is conceptually significant as a deliberate attempt to construct an alternative narrative to the "clash of civilizations" thesis that has dominated post-Cold War strategic discourse in the West (Friends of Socialist China, 2025).

For Pakistan, the GCI provides a normative platform for what is in fact one of the densest civilizational dialogues in modern international relations. The Confucius Institute network at the University of Karachi, National University of Modern Languages, University of the Punjab, Aga Khan University, National University of Sciences and Technology, Lahore University of Management Sciences, and University of Sargodha together represent one of the largest such networks in any Muslim-majority country. The CPEC Consortium of Universities, established in 2018, has expanded to 130 member institutions, and multiple Chinese universities now offer Urdu language majors. The 2024 release of "Ba'Tie Girl", the first China-Pakistan co-produced feature film, and the 2025 Pakistan release of the Chinese animated blockbuster "Ne Zha 2", have widened the cultural footprint beyond academic circles. As Liang (2025) has argued in his historiographic study of Pakistan-China academic exchange, the depth of this people-to-people layer constitutes a strategic asset more durable than any single policy commitment.

2.4 Global Governance Initiative (GGI)

Proposed by President Xi Jinping at the Shanghai Cooperation Organization Plus Meeting in Tianjin on 1 September 2025, the Global Governance Initiative is the most recent and least operationally developed of the four initiatives. Its concept paper, released by the MFA shortly after the announcement, outlines five principles: i) adherence to sovereign equality, ii) abiding by international rule of law, iii) practicing multilateralism, iv) advocating people-centeredness, and v) emphasizing action and outcomes. The GGI is explicitly framed as an attempt to update rather than replace the post-1945 UN-based global governance architecture, addressing what the concept paper identifies as four deficiencies: i) the under-representation of the Global South, ii) decline in the authority of international law, iii) the ineffectiveness of existing institutions in addressing modern problems, and iv) the divergence between governance promises and developmental realities (Friends of Socialist China, 2025; Ministry of Foreign Affairs, People's Republic of China, 2025).

Pakistan was among the first six countries, alongside Russia, Cuba, Nicaragua, Nepal, and Venezuela, to formally endorse the GGI at the Tianjin SCO Plus meeting. The endorsement is consequential. As the rotating chair of the SCO from 2026 to 2027, Pakistan will be in a position to operationalize GGI principles within the SCO framework, particularly in areas of UN Security Council reform, the reform of international financial institutions, and the development of alternative governance arrangements for emerging issues including AI, cyber-norms, and climate adaptation finance.

2.5 Strategic Convergence: A Coherent Operating System

Read together, the four initiatives constitute a coherent operating system rather than a sequence of stand-alone proposals. The GDI provides developmental content; the GSI provides security envelope within which development can proceed; the GCI provides civilizational legitimacy that allows development and security to be pursued without ideological imposition; and the GGI provides institutional architecture through which all three can be embedded in revised global rules. Pakistan's simultaneous endorsement of all four, unusual among major non-aligned states, reflects the structural complementarity between architecture and Pakistan's own strategic needs.

The peer-reviewed literature on the strategic implications of the initiatives offers a range of readings. Critics, including the Lowy Institute (2022) and CSIS (2022) have raised concerns that the initiatives represent an attempt to reshape global rules in Beijing's favour and that the GDI in particular subordinates human rights to development priorities. Supporters and structural analysts, including Romaniuk (2026) at *The Diplomat* have observed that the architecture is functioning, for many smaller and middle-power states, as a hedging instrument that enables capacity-building and diplomatic optionality without requiring full commitment to a great-power bloc. The most balanced reading is that the initiatives constitute a normative platform whose ultimate substance will depend on how member states, including Pakistan, choose to operationalize it. For Islamabad, this is precisely the strategic value: the initiatives provide a multilateral scaffolding for cooperation that does not require zero-sum positioning relative to other partners.

3. CPEC: Infrastructure, Energy, and Architecture of Economic Transformation

3.1 Phase-I Stocktaking: A Decade of Delivery

Launched in April 2015 with an initial portfolio valued at USD 46 billion and subsequently expanded to USD 62 billion of envisaged investment, CPEC is the flagship of the Belt and Road Initiative and the most consequential single foreign investment programme in Pakistan's history (Britannica, 2026). The most recent fact sheet published by the Embassy of the People's Republic of China in Islamabad (2026) provides authoritative cumulative figures: USD 25.93 billion in actualized CPEC investment, more than 510 km of newly-built road infrastructure, 886 km of core power transmission additions, over 8,000 MW of installed generation capacity commissioned, and more than 261,000 direct jobs created. China provided 53.2 per cent of Pakistan's foreign direct investment between July 2025 and February 2026, an extraordinary share for any single bilateral relationship in modern FDI literature.

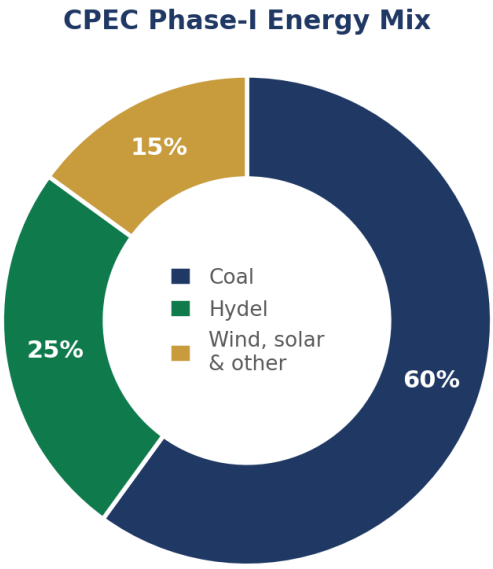
3.1.1 Energy Corridor

Energy was the binding constraint that motivated the original corridor architecture. In 2013, Pakistan's power deficit peaked at roughly 6,500 MW with load-shedding of 12-18 hours daily across most regions; industrial sectors, particularly textiles, were operating at 50-60 per cent of capacity due to power unavailability; and the GDP-growth penalty from energy shortages was conservatively estimated at 2 per cent annually (Kessides, 2013; World Bank, 2023). The CPEC energy portfolio addressed this constraint at scale and in record time.

The portfolio breakdown is instructive. Coal-fired projects account for the largest share: the Sahiwal Coal Power Plant (2 × 660 MW, commissioned 2017), the Port Qasim Coal Power Plant (2 × 660 MW, commissioned 2017-18), the China Hub Power Generation Limited project (1,320 MW, commissioned 2019), the Engro Thar Block-II Coal Mine (3.8 million tons per annum) and adjacent 660 MW power plant, the ThalNova and Shanghai Electric Thar Block-I projects (each 1,320 MW), and the Jamshoro Coal Power Project (660 MW). Hydropower contributions include the Karot Hydropower Project (720 MW, commissioned 2022), the Suki Kinari Hydropower Project (884 MW, commercial operation achieved 2024), and the Kohala Hydropower Project (1,124 MW, under construction). The Quaid-i-Azam Solar Park at Bahawalpur (1,000 MW commissioned in stages from 2015) and a portfolio of wind farms in the Jhimpir-Gharo wind corridor (totalling approximately 1,500 MW) round out the renewable contribution.

The achievement is unambiguous in supply-side terms: Pakistan moved from chronic load-shedding to normal load-shedding in roughly five years. Yet the political-economy implications of the manner of capacity addition demand sober assessment. As recent peer-reviewed research has documented, the Independent Power Producer take-or-pay structures denominated in US dollars, with capacity

payments indexed to debt-service schedules and financed largely through Sinosure-backed export credits, transmitted into Pakistan's power tariffs as a structural cost component (Kessides, 2013; Khan & Khan, 2024). Capacity payments now consume the majority of consumer electricity tariffs. Estimates from NEPRA's 2025 State of Industry Report place capacity-payment-per-unit at approximately PKR 18-22 per kWh, and the resulting circular debt accumulation, above PKR 2.4 trillion as of mid-2025, has constrained sectoral reform space (NEPRA, 2026). This is a sober reality, but it is an artefact of the contractual architecture and the macroeconomic context of 2014-2017, not a verdict on Chinese intent. Honest analysis must locate fault on both sides of the contract: Pakistan negotiated tariffs and indexation formulas under acute supply pressure; China provided rapid-deployment financing and equipment under terms calibrated to its own export-credit framework. The negotiation that lies ahead, examined in Section 7, is how to convert dollar-denominated capacity payments into RMB obligations or extend tenor in exchange for tariff relief, with both options now actively under bilateral discussion.



Indicative generation mix of CPEC Phase-I energy project.

3.1.2 Transport and Connectivity Networks

The corridor's physical signature includes the Lahore Orange Line metro, Pakistan's first driverless rapid-transit system, 27.1 km in length, with capacity for 250,000 daily commuters and operational since October 2020, Multan-Sukkur section of the M-5 motorway (392 km, commissioned 2019), Hakla–D.I. Khan motorway (285 km, commissioned 2022), KKH Phase-II Havelian-Thakot section (120 km), and ongoing work on the Karakoram Highway Realignment around Attabad Lake. The flagship pending project remains the ML-1 main-line railways upgrade, a 1,872-km rebuild from Karachi to Peshawar through Lahore and Rawalpindi, originally envisaged at USD 6.7 billion and now under renegotiation following multiple cost revisions and a phased-implementation proposal (CPEC Secretariat, 2025). The economic case for ML-1 is substantial: current rail freight volumes account for less than 5 per cent of total freight (against an Indian comparator of approximately 27 per cent and a

Chinese figure exceeding 40 per cent), and the upgrade would shift approximately 30-40 per cent of long-haul freight from road to rail, materially reducing fuel-import bills and decarbonizing freight movement. Pakistan's decision-making on ML-1 financial close is, therefore, among the most consequential infrastructure choices of 2026.

3.1.3 Gwadar and Free Zone

Gwadar Port, transformed from a 50,000-population fishing settlement into a deepwater facility with thirteen multi-purpose berths capable of handling vessels up to 50,000 DWT, a 4F-grade international airport (the Gwadar International Airport, the largest in Pakistan and capable of hosting the world's largest civil aircraft), seawater desalination capacity exceeding 3,000 tons per day, and the first phase of the Gwadar Free Zone (923 acres operational), represents the most strategically loaded element of the corridor (Embassy of the People's Republic of China in Islamabad, 2026). The China-Pakistan Friendship Hospital Gwadar has treated over 350,000 patients since opening, and the Faqeer School Gwadar has been upgraded from a primary to a high school with over 500 enrolled students. Trans-shipment volumes have remained below initial projections, less than 100,000 TEU annually against an installed capacity of approximately 400,000 TEU, but the strategic option-value Gwadar represents, as a Central Asian outlet, a Gulf-energy gateway, and a trans-regional hub for an emerging green-hydrogen economy, is not adequately captured by short-run throughput statistics. The 2025 announcement that Gwadar will host an LNG re-gasification terminal and a green-hydrogen pilot plant points to an evolving operational identity that is more energy-strategic than purely commercial.

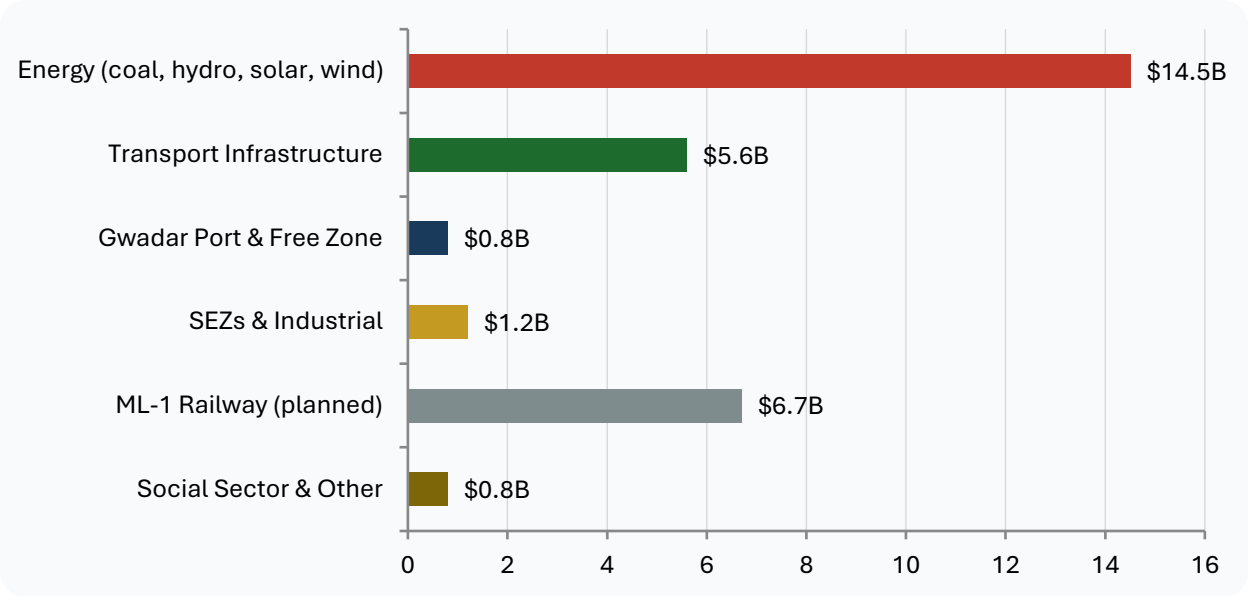


Figure 2 illustrates the sectoral concentration of CPEC capital, with energy and the planned ML-1 railway accounting for the majority of investment.

3.2 Phase-II: From Construction to Industrialization

Phase II, formally re-launched at the 14th Joint Cooperation Committee meeting in Beijing on 26 September 2025, marks a deliberate qualitative shift (CPEC Secretariat, 2025) where Phase I prioritized hard infrastructure and electricity whereas Phase II is structured around five "corridors-within-the-

corridor". These are: a growth corridor, a livelihood corridor, an innovation corridor, a green corridor, and an open corridor. The conceptual architecture aligns explicitly with Pakistan's domestic URAAN Pakistan 5Es framework, a strategic-coherence achievement that few other developing-country bilateral cooperation frameworks have managed to produce.

3.2.1 Special Economic Zones' Operational Status

Special Economic Zones (SEZs) constitute the central operational vehicle of Phase II. Of the nine prioritized SEZs, four are now in advanced operational stages. These are: i) Rashakai SEZ in Khyber Pakhtunkhwa (with Hubei United Industrial Park as the lead Chinese co-developer, focusing on textiles, food processing, and electronics; first operational phase commissioned 2023); ii) Allama Iqbal Industrial City near Faisalabad in the Punjab (3,000-acre footprint with priority sectors in steel, automotive, and chemicals); iii) Dhabeji SEZ in Sindh (1,500-acre site with port-proximity advantages); and iv) Bostan Industrial Zone in Balochistan (1,000 acres focusing on agro-processing). Recent peer-reviewed scholarship cautions against expecting SEZ success purely through land designation. Wang and Roy (2024) emphasize that SEZ performance is contingent on six conditions, i.e. macroeconomic stability, predictable taxation, customs efficiency, reliable power supply, skilled labour, and effective dispute-resolution mechanisms. Pakistan must continuously strengthen each. The 2025 announcement of the Special Investment Facilitation Council's expanded operational mandate, with explicit jurisdictional authority over SEZ approvals, is a direct response to these concerns and is being closely watched by Chinese investors as the principal indicator of Pakistan's commitment to Phase II execution.

Table 1 contrasts the structural shift between Phase I and Phase II

Dimension	CPEC Phase I (2015-2022)	CPEC Phase II / 2.0 (2022-2030)
Primary focus	Power generation, motorways, Gwadar Port	Industry, agriculture, IT, mining, science & technology
Financing model	Sovereign-guaranteed concessional loans; IPP equity finance with sovereign guarantees	B2B joint ventures; equity investment; growth-corridor partnerships; lower sovereign exposure
Energy mix	Coal (~60%), hydro (~25%), wind/solar (~15%)	Solar PV, BESS, transmission, hydro completion, eventual coal retirement under VM0052
Cumulative investment	USD 25.9 billion realised (energy + transport)	USD 30-50 billion targeted across SEZs, ML-1, agriculture, IT, mining
Employment	261,000 direct jobs (Phase I cumulative)	Targeted 500,000+ via industrialization; emphasis on TVET-graduate pipeline
Knowledge component	Limited; mostly construction-led skill transfer	CPEC University Consortium (130 institutions); TVET; joint R&D; innovation corridor
Climate alignment	Coal-heavy; limited NDC integration	Green Corridor; NDC 3.0 alignment; Article 6 readiness; explicit GDI alignment

Dimension	CPEC Phase I (2015-2022)	CPEC Phase II / 2.0 (2022-2030)
Multilateral linkage	Bilateral; not formally embedded in multilateral frameworks	Explicit alignment with GDI, GSI, GCI, GGI; SCO economic cooperation

Table 1. Comparative architecture of CPEC Phase I and Phase II. Source: Author's synthesis from CPEC Secretariat (2025), Embassy of the People's Republic of China in Islamabad (2026), and IDSA (2026).

3.3 Reframing the Debt-Trap Narrative

The 'debt-trap' framing of CPEC, while politically resonant in some Western analyses, does not survive disciplined examination of the data. As of mid-2025, Pakistan's external debt stood at approximately USD 131 billion; of this, debt to Chinese institutions, including SAFE deposits, currency-swap-converted obligations, China EXIM Bank concessional loans, and CDB commercial loans, represents roughly 22 per cent (Equilibrium, 2025; IMF, 2025). Crucially, this debt is concessional in character, with average effective interest rates in the 2.5-3.5 per cent range, materially below sovereign Eurobond yields that have ranged from 8 to 14 per cent over the past decade, and the empirical record shows multiple instances of debt rollover, restructuring, and currency-swap renewal at Pakistan's request (Hurley, Morris & Portelance, 2019). The IPP capacity-payment problem is real and consequential, but it is a contractual-design issue, not a sovereign-debt issue. Mixing the two has produced policy confusion in Pakistan and unnecessary reputational strain in Beijing.

The peer-reviewed literature has converged on a more nuanced reading. Hurley, Morris and Portelance (2019), in the most cited quantitative assessment of BRI debt risks, classified Pakistan in the "significant risk" category but explicitly attributed the concern to Pakistan's broader IMF-recidivist macroeconomic profile rather than to predatory Chinese behaviour. Gallagher and Myers (2024) at Boston University's Global Development Policy Center have similarly documented that Chinese policy-bank lending to Pakistan has been characterized by repeated forbearance and repayment flexibility, behaviour inconsistent with strategic-coercion theses. The IMF's Pakistan country-team analysis (IMF, 2025) explicitly notes that Chinese lending's structural features, long tenors, fixed concessional rates, project-tied disbursement, have provided macroeconomic stability during multiple Pakistani balance-of-payments episodes. The verdict supported by the empirical record is that the more apt frame for analysis is not 'debt trap' but 'debt-equity-tariff complex', a triadic structure in which the principal binding constraints are tariff design and project equity returns, not sovereign creditor coercion.

3.4 Security of Chinese Personnel: A Structural Imperative

No analysis of CPEC Phase II is complete without honest engagement with the security challenge. According to data compiled by IDSA (2026), 19 Chinese personnel have been killed in Pakistan over the past decade, and majority attacks have been claimed by the Baloch Liberation Army. The September 2025 statement by President Xi Jinping pressing Pakistan to improve protection arrangements, the 2024 expansion of the Special Protection Unit and Safe-City coverage, and the ongoing dialogue on the operational role of foreign private security firms together indicate the seriousness with which both governments now treat the issue. From an analytical standpoint, the

security challenge is not a discrete incident-response problem but a structural feature of the operating environment that any phase-II industrial deepening must factor into project design. Insurance premia for Chinese-supplied equipment in Balochistan and parts of Khyber Pakhtunkhwa now exceed 8 per cent of contract value, materially above comparator BRI markets. The institutional response, sustained politically across electoral cycles, aligned with the GSI's commitment to addressing both traditional and non-traditional security challenges, and structured to address local-community grievances rather than purely externalizing the problem, will determine whether Phase II achieves its industrial promise.

4. Trade, Finance, and Imperative of Economic Rebalancing

4.1 Bilateral Trade: Volume, Composition, and Asymmetry Problem

Bilateral trade between Pakistan and China crossed USD 25 billion in 2025, with China retaining its position as Pakistan's largest trading partner for the twelfth consecutive year (Embassy of the People's Republic of China in Islamabad, 2026). Pakistan's exports to China in fiscal year 2024-25 reached USD 2.38 billion, i.e. 7.4 per cent of total Pakistani exports (Trade Development Authority of Pakistan [TDAP] 2025). The composition of exports remains heavily concentrated in low value-added categories: textiles, cotton yarn and fabric, frozen seafood, rice, sesame seeds, chillies, pink Himalayan salt, and minerals. The compositional asymmetry, Pakistani exports concentrated in primary and low-processing categories versus Chinese exports concentrated in machinery, electronics, solar PV, batteries, chemicals, and consumer goods, is the single most important rebalancing imperative in the relationship. Pakistan's import compound annual growth rate from China during CPFTA Phase II (2020-2024) was 7.1 per cent against an export CAGR of 5.8 per cent (Pakistan Business Council, 2024). The trade deficit widened from USD 1.4 billion in 2007 to roughly USD 20 billion in 2025. While the gap persists, it underscores the need for a B2B investment model that moves beyond simple trade. By integrating Pakistani SMEs into the supply chains of Chinese enterprises, particularly in textiles and agriculture, Pakistan can transform from a consumer market into a regional production hub, utilizing the duty-free access provided by CPFTA-II.

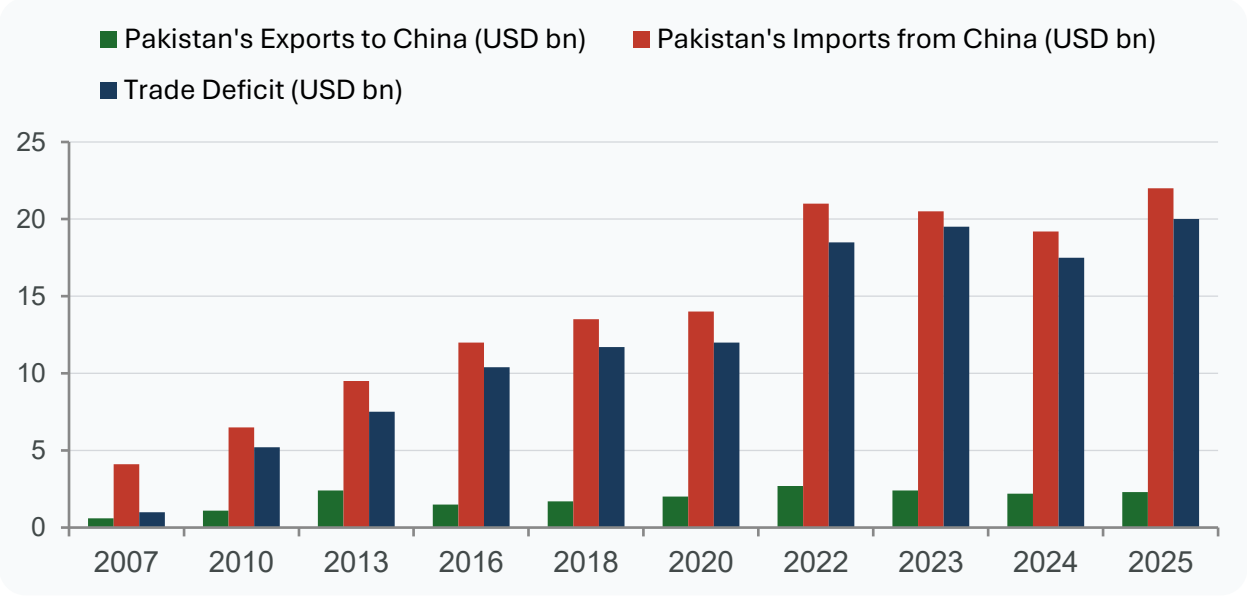
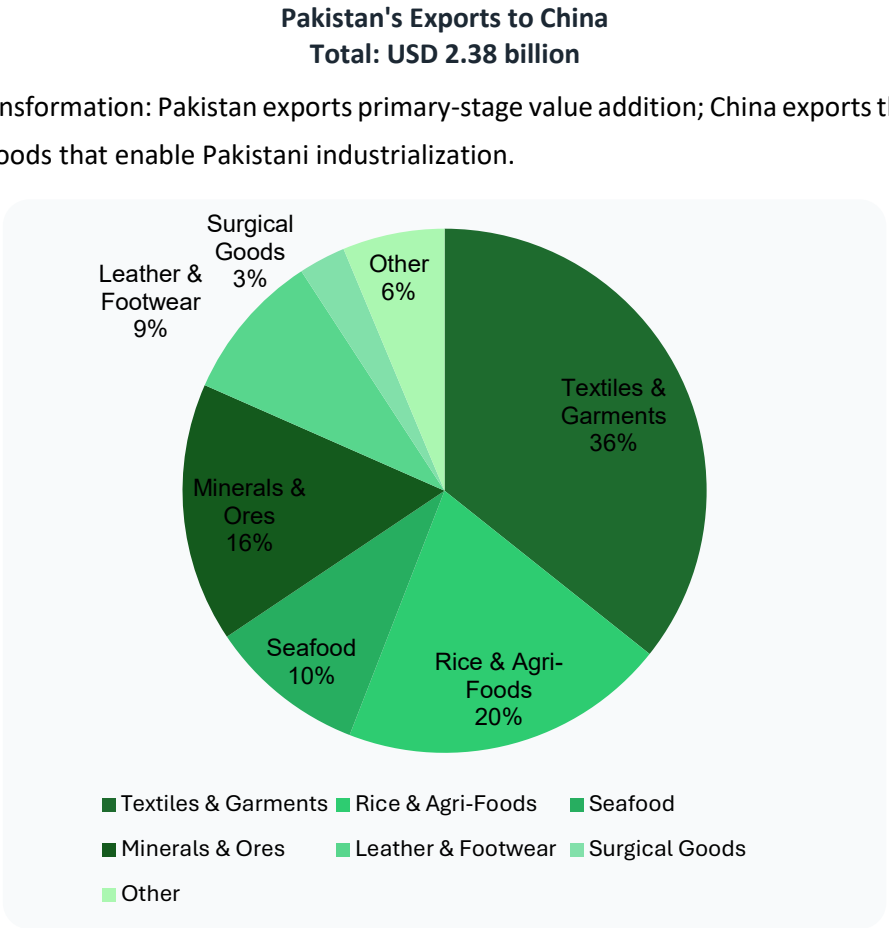


Figure 1. Bilateral trade volumes show robust growth on both sides, but the persistent expansion of the deficit on the right-hand axis quantifies the rebalancing imperative.

A finer disaggregation of the trade composition reveals where the structural opportunities lie. On the Pakistani export side, textiles dominate at approximately USD 850 million annually, followed by rice and agri-foods at USD 480 million, minerals and ores at USD 380 million, seafood at USD 230 million, and leather/footwear at USD 220 million. Surgical and medical instruments, despite Pakistan's well-

documented global comparative advantage in this niche, with Sialkot accounting for approximately 80 per cent of global handcrafted surgical-instrument production, contribute only USD 70 million to China-bound exports against an estimated USD 370 million latent potential identified by the Pakistan Business Council. On the import side, machinery and equipment account for approximately USD 4.5 billion, electronics and telecom for USD 3.2 billion, solar PV and BESS for an estimated USD 4.8 billion in 2025 (a step-change from prior years), chemicals and pharmaceuticals for USD 1.9 billion, steel and metals for USD 2.1 billion, and auto parts/vehicles for USD 1.8 billion. The composition is consistent with what trade theory would predict for a pair of countries at substantially different points in their



structural transformation: Pakistan exports primary-stage value addition; China exports the machinery and capital goods that enable Pakistani industrialization.

Figure 5a. The compositional asymmetry between Pakistani exports to China (concentrated in primary commodities) and Pakistani imports from China (concentrated in machinery, electronics, and solar/storage equipment) identifies the structural rebalancing frontier.

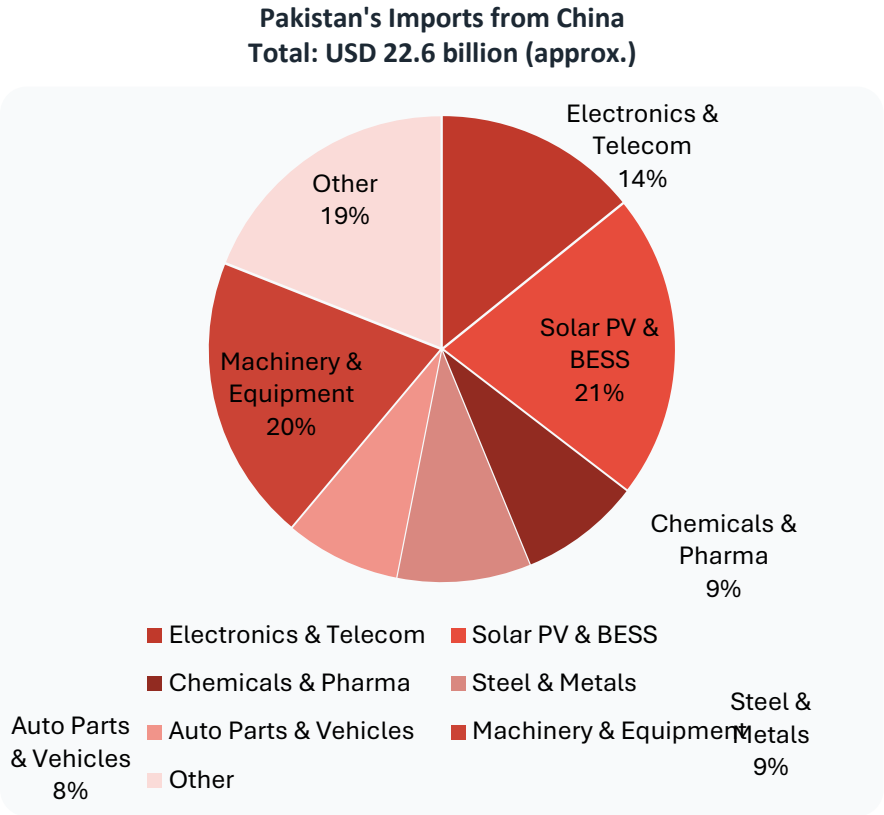


Figure 5b. The compositional asymmetry between Pakistani exports to China (concentrated in primary commodities) and Pakistani imports from China (concentrated in machinery, electronics, and solar/storage equipment) identifies the structural rebalancing frontier.

4.2 CPFTA: A Differentiated Verdict

The China-Pakistan Free Trade Agreement Phase I (2007) increased bilateral trade by 242 per cent in the decade through 2018 but disproportionately favoured Chinese exports. The trade deficit that ballooned from USD 1.4 billion at signing to approximately USD 13 billion by 2018, drawn sustained criticism from Pakistani industry. Phase II, signed in April 2019 and became operational from 01 January 2020, sought to correct this imbalance: China immediately eliminated tariffs on 313 priority Pakistani product lines, both parties agreed to liberalize 75 per cent of tariff lines (China over 10 years, Pakistan over 15), and electronic data exchange and balance-of-payments safeguards were embedded (Embassy of the Islamic Republic of Pakistan in Beijing, 2025). The authoritative review of Pakistan Business Council (2024) found that on more than 80 per cent of CPFTA Phase II tariff lines that China imports, Pakistan now enjoys equal or better terms than China's leading partners; 45 per cent of lines provide duty-free access. The latent export potential is approximately USD 3 billion annually, if Pakistan can address the supply-side and quality-certification constraints that have historically led to under-utilization of concessions. Empirical work on concession utilization (Pakistan Business Council, 2024; Mahmood & Jongwanich, 2018) shows that Pakistani exporters utilized approximately 30-35 per cent of Phase II concessions in the first three years of operation, far below the 65-70 per cent utilization typical of effective FTAs.

The CPFTA Phase III conversation, formally initiated during President Zardari's February 2025 visit and re-confirmed in April-May 2026 visit, should focus on the following five priorities supported by both empirical and theoretical literature.

1. Expansion of the priority lines for Pakistani agricultural and value-added textile exports, with particular focus on basmati rice, processed seafood, and surgical instruments,
2. Mutual recognition of testing and certification, a binding non-tariff barrier in the Chinese market that disproportionately disadvantages Pakistani exporters who must duplicate compliance procedures,
3. An explicit chapter on cross-border services, digital trade, and IT services, recognizing that Pakistan's IT export sector, currently expanding at 25-30 percent annually with a fiscal 2024-25 figure approaching USD 3.2 billion, is structurally absent from the existing CPFTA architecture,
4. A green-products preferential treatment chapter aligned with the GDI's climate priority area,
5. An SME-export-facilitation chapter explicitly designed to address the supply side constraints that led to historical concession under-utilization.

Table 2. Pakistan's top export categories to China and CPFTA Phase II treatment

Pakistani Export Category	Approx. Export Value (FY24-25, USD m)	CPFTA-II Status	Latent Potential
Textiles, cotton yarn, fabric, knitwear	≈ 850	Mostly duty-free; quality certification gaps	High
Rice, sesame seeds, chillies, pink salt	≈ 480	Improved access; SPS hurdles persist	High
Seafood (frozen and processed)	≈ 230	Tariff-free for 313 priority lines	Medium-High
Minerals, ores, copper concentrates	≈ 380	Largely raw; little value addition	Medium
Surgical/medical instruments	≈ 70	Reduced duties; ISO certification limited	Very High
Leather, footwear, sports goods	≈ 220	Improved access	Medium
IT services, software (under negotiation)	*not in goods data*	Not yet covered in CPFTA	Strategic frontier

Table 2. Approximate values are author's reconciliation of Pakistan Bureau of Statistics (2025), TDAP (2025), and UN COMTRADE (2025). Latent-potential ratings synthesize PBC (2024).

4.3 Chinese FDI: Beyond Headline Numbers

China contributed 53.2 per cent of Pakistan's FDI inflows during July 2025 to February 2026, an unprecedented concentration in a single bilateral source (Embassy of the People's Republic of China in Islamabad, 2026). The composition has been broadening materially: from energy and infrastructure dominance in 2015-2020 to a meaningful diversification into telecoms (ZTE, Huawei), automobiles (BYD, Changan, Great Wall, JAC, Chery, MG, FAW), agriculture and aquaculture, and increasingly, battery and solar manufacturing. Pakistan Business Council's registration data confirm that more than 60 Chinese companies registered new manufacturing entities in Pakistan during 2024-2025, a step-change from the pre-2020 average of approximately 15-20 new registrations per year.

The strategic question, however, is whether FDI is producing technology spill-over. The peer-reviewed evidence is mixed but increasingly converging on a conditional answer. Khan, Hou and Le (2022) and Awan and Aslam (2023), using firm-level data, find that proximity to CPEC SEZs is associated with higher productivity for Pakistani firms but only when there is a parallel domestic absorptive capacity, specifically, an educated workforce, contestable supply contracts, and a regulatory environment that permits technology transfer beyond contractual minima. The policy implication for the next decade is unambiguous: FDI volume is a poor instrument for measuring partnership success; the binding constraint is institutional absorptive capacity. Pakistan's 2025-2029 China-Pakistan planning documents have, for the first time, embedded structured TVET cooperation as a formal pillar; this should be operationalized aggressively, with explicit Chinese-instructor deployment, Chinese-equipment-aligned curricula, and certification interoperability between Chinese and Pakistani vocational institutions.

4.4 Currency Question: From Dollar Vulnerability to Multipolar Hedging

Pakistan's persistent vulnerability to dollar liquidity shocks, manifest in the 2008, 2018, 2022 and 2023 balance-of-payments crises, makes the global movement towards multipolar payments' architecture strategically relevant rather than merely fashionable. Three developments deserve direct attention.

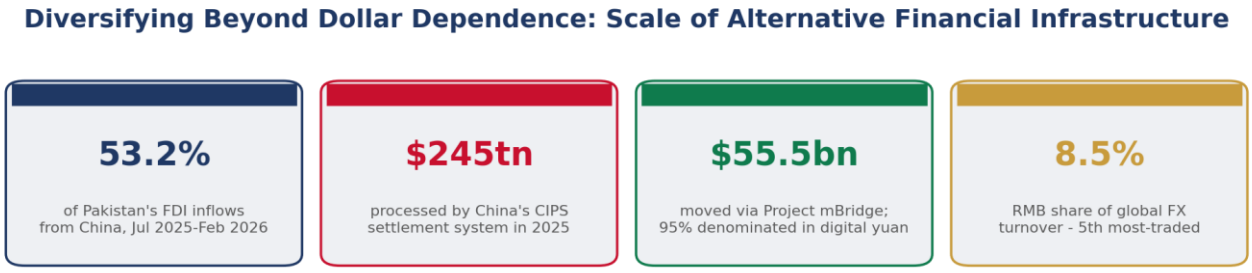
First, China's Cross-Border Interbank Payment System (CIPS) processed approximately RMB-equivalent USD 245 trillion in transactions during 2025, providing an operational settlement alternative to dollar-denominated SWIFT channels (Atlantic Council, 2026; Techi, 2026). Pakistan's direct CIPS connectivity, currently routed through correspondent Chinese banks, can be deepened through a dedicated SBP-PBoC arrangement modelled on the Saudi-PBoC framework. The yuan now accounts for the majority of China's own cross-border transactions, a milestone first reached in March 2023 and consolidated through 2025, and has climbed to 8.5 percent of global FX turnover, the fifth-most-traded currency globally. The infrastructure is real, operational, and at scale.

Second, Project mBridge, the multi-CBDC platform jointly developed by the People's Bank of China, the Hong Kong Monetary Authority, the Bank of Thailand, the Central Bank of the United Arab Emirates, and the Saudi Central Bank, has processed approximately USD 55.5 billion in cross-border transactions across more than 4,000 settled trades, with 95 per cent denominated in digital yuan (Atlantic Council, 2026; TradingView, 2026; Park & Tan, 2025). Pakistan, as a non-BRICS observer, should pursue technical-observer status on mBridge, with an eye to operational connectivity for CPEC-linked trade flows. The relevant scholarship (Johnston, 2025; Park & Tan, 2025) emphasizes that early-mover engagement with such infrastructure provides a credible hedge against dollar weaponization without requiring a binary choice between blocs. The BIS withdrew from mBridge in late 2024 citing concerns about sanctions-circumvention by Russia and Iran; the platform has since continued operating as a multi-central-bank initiative independent of BIS, providing a useful precedent for Pakistan to engage technically without binding political commitments.

Third, BRICS+ has expanded to 10 full members as of January 2025 with Indonesia's accession, and the September 2026 BRICS Summit in New Delhi has placed CBDC interoperability and BRICS-Pay deployment on its central agenda (Rio Times, 2026). Pakistan's candidate-partner status, supported by Russia and China but historically blocked by India's preference for restricted enlargement, deserves diplomatic recalibration. SCO presidency in 2026-2027 provides a parallel platform: as the rotating chair, Pakistan can sequence its multilateral engagement to maximize convergence between SCO economic-cooperation initiatives and BRICS+ financial architecture, both of which heavily intersect with Chinese policy preferences. The structural opportunity is to use Pakistan's SCO chairmanship year to host technical workshops on CIPS connectivity, RMB invoicing, and CBDC interoperability, thereby positioning Pakistan as a constructive convener at the financial-architecture frontier.

Box 4.1. Renminbi Pivot: A Considered Path

A measured RMB-denomination strategy could materially reduce Pakistan's dollar exposure. The PBoC-SBP currency swap, last renewed at RMB 30 billion in 2023 and operationally important during multiple SBP reserve-pressure episodes, is the obvious foundation. Five structured steps are recommended: (i) progressive expansion of the SBP-PBoC swap to RMB 50 billion over the 2026-2028 horizon; (ii) progressive RMB-denomination of CPEC IPP capacity payments and dividends, eliminating dollar conversion costs and aligning currency mismatches; (iii) a sovereign Panda Bond issuance (RMB-denominated bonds in mainland China), following the precedent of Egypt and Hungary, beginning with a RMB 5 billion pilot to diversify the funding base and access the deep RMB onshore market at competitive yields; (iv) RMB invoicing for commodity import contracts, especially LNG and oil from Gulf RMB-accepting suppliers; and (v) a Pakistani technical-observer engagement with mBridge through the State Bank of Pakistan's Financial Innovation Department. None of these steps requires a binary departure from the dollar system; they constitute prudent diversification that any macro-prudential authority, in any country, would consider in 2026.



Selected indicators of financial-architecture diversification discussed in Section 4.4.

5. People, Knowledge, and Civilizational Dialogue

5.1 Educational and Linguistic Networks

Pakistan ranks among the top countries globally in both the absolute number of students studying in China and recipients of Chinese government scholarships (Embassy of the People's Republic of China in Islamabad, 2026). Approximately 28,000 Pakistani students were enrolled in Chinese institutions as of 2025, the largest cohort of any Belt and Road country and the second largest internationally only after Korea. Pakistani enrolment is concentrated in medical sciences, engineering, business administration, and Chinese language and area studies; the cumulative pool of Pakistani Chinese-speaking professionals now exceeds 50,000.

Confucius Institutes are operational at major Pakistani universities, as mentioned above. The CPEC Consortium of Universities, established in 2018 under the leadership of COMSATS University Islamabad and Hubei University, has expanded to 130 member institutions across both countries, offering joint research programmes, faculty exchanges, and credit-transfer arrangements. Multiple Chinese universities now offer Urdu language majors, including Beijing Foreign Studies University, Peking University, and the People's Liberation Army Foreign Languages University; the cumulative Chinese Urdu-speaking pool, while smaller than its Pakistani counterpart, has grown five-fold over the past decade.

In 2025, 1,000 young Pakistani agricultural professionals completed structured training programmes in China; this scale of human-capital investment has no parallel among Pakistan's other foreign relationships. The civilizational asset is precisely that this is bidirectional: Chinese scholars studying Iqbal, Ghalib, and the political economy of South Asia at Peking University, Tsinghua, Renmin, and Fudan are forming a generation of China-watchers who understand Pakistan from within. As Liang (2025) has argued in his historiographic study of Pakistan-China academic exchange, the depth of this people-to-people layer constitutes a strategic asset more durable than any single policy commitment.

5.2 Cultural Diplomacy and Media

Cultural diplomacy has expanded materially. The 2024 release of "Ba'Tie Girl", the first China-Pakistan co-produced feature film, marks a milestone in cinematic cooperation; the 2025 Pakistan release of the Chinese animated blockbuster "Ne Zha 2", which became one of the highest-grossing animated films in Chinese cinema history, has widened cultural footprint beyond academic circles. Pakistan Television Corporation's long-running co-production agreements with China Central Television, the Chinese-language service of Radio Pakistan, and the Urdu-language service of China Radio International together constitute one of the most extensive bilateral broadcasting partnerships in modern diplomacy. Such products do something that policy speeches cannot: they normalize the bilateral relationship in the everyday imagination of both peoples (Embassy of the People's Republic of China in Islamabad, 2026).

5.3 Health, Pandemic Cooperation, and Medical Diplomacy

During the COVID-19 pandemic, China supplied Pakistan with the largest tranche of vaccines from any single source, cumulatively approximately 100 million doses through bilateral donation, commercial supply, and joint-production at NIH Islamabad, making the Pakistan-China health partnership one of the most intensive South-South medical-diplomacy episodes of the pandemic era. Joint manufacturing of Sinopharm and CanSino vaccines proceeded at NIH Islamabad. In 2025, Chinese medical missions performed congenital cardiac surgery on eight Pakistani children, and 70,000 "health kits" were donated to 766 schools across 23 districts of Balochistan during 2024-2025. The 2025 floods response saw immediate Chinese cash assistance of USD 2 million followed by RMB 100 million in material aid, mirroring the 2022 response when China provided 25,000 tents and other emergency supplies (Embassy of the People's Republic of China in Islamabad, 2026). The "Bright Journey" Pakistan-China cataract surgery programme, conducted across the Punjab and Sindh through 2024-2025, has restored vision to over 1,000 Pakistani patients. Beyond emergency response, the establishment of the China-Pakistan Friendship Hospital at Gwadar, with over 350,000 patients treated since opening, represents the most consequential bilateral health-infrastructure investment outside the major cities.

5.4 Space, Frontier Science, and Tiangong Mission

The Pakistani satellite portfolio launched from Chinese facilities now includes ICUBE-Qamar (Pakistan's first lunar mission, launched 2024 aboard the Chang'e-6 mission), PAKSAT-MM1 (a high-throughput communication satellite launched in 2024), PRSS-1 (a remote-sensing satellite launched in 2018), EO-1 and EO-2 (Earth observation satellites launched in 2024-25), and the HS-1 hyperspectral satellite. The cumulative Chinese contribution to Pakistan's space capability exceeds USD 600 million and represents one of the densest bilateral space-cooperation arrangements outside the major space powers.

The most consequential development is forthcoming: Pakistan will become the first foreign country to send an astronaut to China's Tiangong space station, with the mission expected by late 2026 (The Diplomatic Insight, 2026; People's Daily Online, 2026). Two Pakistani candidates, selected through China's Manned Space Agency processes, are now in advanced training at the Astronaut Center of China in Beijing. For a country with a constrained STEM ecosystem, the demonstration effect of a Pakistani national in low-Earth orbit aboard a Chinese station is incalculable: it provides a generational role model, signals the seriousness of Pakistan's scientific ambitions, and creates concrete educational and inspirational dividends that no bilateral economic transfer could match.

Selected indicators of educational, health, and civilisational exchange discussed in Section 5.

5.5 Research, Innovation, and Knowledge Economy

Beyond formal education, the bilateral research and innovation ecosystem has matured into one of Pakistan's most productive frontiers. The China-Pakistan Joint Cotton Bio-tech Laboratory at National Institute for Biotechnology and Genetic Engineering, the joint COMSTECH-Chinese Academy of Sciences fellowships, Pakistan-China Agricultural Technology Demonstration Center, and the joint laboratory on marine sciences at the University of Karachi together represent over USD 200 million in cumulative bilateral research funding. Pakistan-China co-authored peer-reviewed publications in indexed journals have grown from approximately 400 per year in 2010 to over 4,500 per year in 2025, making China the single largest research-collaboration partner for Pakistani academia (Liang, 2025; Web of Science cumulative co-authorship analysis). The next frontier, joint research in artificial intelligence, biotechnology, semiconductor design, and quantum technologies, is structurally consistent with the GDI's digital-economy priority area and offers material upside for Pakistan's knowledge-economy ambitions under the E-Pakistan pillar of URAAN Pakistan.

6. Green Futures and Road to 100 Years: Climate, Technology, and Strategic Vision

6.1 Solar Revolution: A Largely Chinese-Enabled Transformation

Few transitions in any developing economy in the past decade match the speed of Pakistan's solar uptake. Cumulative solar PV imports from China between 2019 and mid-2025 reached approximately 36 GW, a volume that, on paper, exceeds three-quarters of Pakistan's installed power-generation capacity (Global Voices, 2025; World Resources Institute, 2025). In the first four months of 2025, solar accounted for roughly 25 per cent of utility-supplied electricity, up from a fifth-largest source two years earlier (Ember, 2025). Lithium battery imports from China rose by approximately 68 per cent in the first half of 2025 alone, enabling household and SME storage and effectively democratizing electricity access. By mid-2025, Pakistan accounted for approximately 12 per cent of China's global solar-export market, making it the largest Chinese solar-export market in Asia and the second largest globally after Europe.

The drivers are well documented in recent peer-reviewed and institutional literature. On the demand side, electricity tariffs in Pakistan rose by 155 per cent over three years, withdrawal of subsidies pressured industrial users, and grid unreliability persisted. On the supply side, Chinese high volume manufacturing reduced global solar panel prices by approximately 50 per cent, while Pakistan's zero-rated import duty regime through mid-2025 accelerated diffusion (Shah, 2025; Bourgault & Moin, 2025; World Economic Forum, 2025). The combination produced what Bourgault and Moin (2025) characterize as a "market-driven energy revolution unprecedented in any developing economy of comparable size", a transformation that proceeded largely without state-led industrial policy and entirely without traditional climate finance.

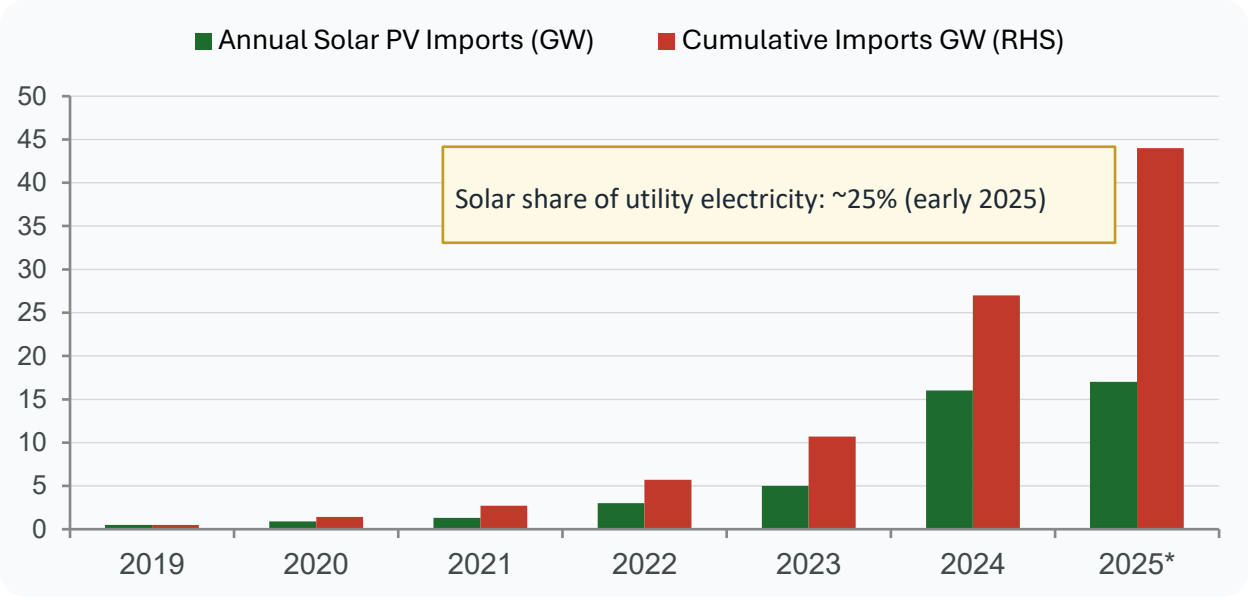


Figure 3. The non-linear acceleration of Chinese solar PV imports into Pakistan since 2022 represents a structural energy-system transformation now visible in the utility supply mix.

6.2 Indigenization Imperative

The strategic question is no longer whether Pakistan can import Chinese solar capacity; it manifestly can and is doing so. The question is whether Pakistan will indigenize the value chain. Mehmood, Khan and Hussain (2025) at National University of Sciences and Technology, in a peer-reviewed analysis presented at ICAME-25, argue that Pakistan's SEZs offer the structural mechanism for solar localization under CPEC 2.0. Their feasibility assessment identifies three sequential opportunities: (i) module assembly using imported cells (achievable within 12-24 months at SEZ sites with reliable power); (ii) cell fabrication using imported wafers (24-48 months and requiring approximately USD 200-400 million capex per fabrication line); and (iii) full polysilicon-to-panel integration (48-96 months and requiring approximately USD 1.2-2.0 billion in cumulative capex). Each stage adds proportionally more value and reduces import dependence.

The same logic applies to battery energy storage. Pakistan's 1.3 GW Oracle Power-China Electric Power Engineering wind-solar-BESS hybrid project in Sindh, the JCM Power 100 MW BESS project, and the Sapphire Group battery-cell venture together signal a nascent but real BESS ecosystem (Energy-Storage News, 2024; Pakistan Renewable Energy Industry Association, 2025). With global lithium-iron-phosphate cell prices declining from approximately USD 150/kWh in 2020 to below USD 60/kWh in 2025, Pakistani cell-pack assembly is now economically tractable provided that critical-minerals processing and stable electricity for manufacturing are secured. The peer-reviewed literature on battery-manufacturing learning curves (Ziegler & Trancik, 2021; Penisa et al. 2024) suggests that Pakistani entry into cell-pack assembly within the 2026-2`028 window could capture approximately 40 per cent of the global BESS cost-reduction trajectory through scale and learning effects.

6.3 Electric Vehicles: From Importer to Production Hub

Pakistan's New Energy Vehicle Policy 2025-30, promulgated by the Ministry of Industries and Production, sets a target of 30 per cent EV penetration in new vehicle sales by 2030, rising to 90 per cent by 2040 (MoIP, 2025). The policy provides differentiated tariffs (1 per cent customs duty on EV-specific components, 0 per cent on charging-equipment imports), a Pakistan Adoption of Vehicle Electrification (PAVE) consumer-subsidy scheme administered through a dedicated online portal, and explicit provision for carbon-credit accounting on NEV-displaced emissions (China-Global South Project, 2025). EV two-wheeler sales surged by 191 per cent year-on-year in 2025, reaching approximately 90,000 units, a remarkable trajectory in a market that was effectively zero in 2023 (MotorCycles Data, 2026). Cumulative installed local manufacturing capacity for electric two- and three-wheelers had reached approximately 2 million vehicles per annum by March 2025, with 58 manufacturing certificates issued and 9 certificates for three-wheeler production.

Chinese OEMs, BYD, Changan, JAC, Great Wall Motors, MG, FAW, Chery, and Yadea, have moved decisively to establish presence. BYD has obtained manufacturing licences and is partnering with Mega Motors to produce the BYD Atto 3 and Sealion in Pakistan. Changan and JAC have CKD assembly operations. The strategic prize is regional: with US tariffs on Chinese EVs hardening, Pakistan can

position itself as a Chinese-anchored EV-export base for the Middle East, Central Asia, and African markets, leveraging the CPFTA, GSP+ access to the EU, the African Continental Free Trade Area for downstream entry, and access to Saudi-UAE supply chains (China-Global South Project, 2025; PIDE, 2025). Pakistan Institute of Development Economics (2025) has explicitly framed EV cooperation under CPEC as an opportunity for Pakistan to integrate into the Chinese EV supply-chain network rather than remain a passive market for finished imports.

6.4 Critical Minerals and Green Industrialization

The clean-energy transition is, at its core, a critical-minerals transition. Lithium, copper, cobalt, rare earths, and silicon constitute the choke points (IEA, 2024). Pakistan's critical-minerals endowment is genuinely strategic. The Reko Diq copper-gold project in Balochistan, with confirmed reserves of approximately 5.9 billion tons of ore at average grade 0.41 per cent copper and 0.22 g/ton gold, ranks among the top ten undeveloped copper-gold deposits globally; its first phase, scheduled to commence production in 2028, will produce approximately 200,000 tons of copper concentrate annually. The Saindak copper-gold mine, Chinese-operated through MCC since 2003, continues stable production. The Chiniot-Rajoa iron deposits, the Khyber Pakhtunkhwa lithium and rare-earth occurrences, and the Balochistan chromite belt collectively position Pakistan as a strategic upstream node. Recent cooperation agreements between the Government of Khyber Pakhtunkhwa and Chinese mining consortia, signed in 2025, mark the first structured framework for critical-minerals processing rather than ore export (Government of Pakistan, 2025; The News International, 2025).

The policy lesson, drawn from the Indonesian nickel-export-ban precedent and from Chile's lithium nationalization, is unambiguous: raw-mineral exports without parallel processing capacity confer minimal economic benefit and substantial environmental cost. Indonesia's nickel-export ban, imposed in 2014 and re-imposed in 2020, increased the country's downstream nickel-derivative export earnings from approximately USD 1 billion to over USD 30 billion annually within a decade. Pakistan should structure all critical-minerals partnerships with mandatory in-country beneficiation milestones, a position consistent with the National Critical Minerals Policy 2025 and with the recommendations of recent UNCTAD (2024) commodity-policy work. The institutional vehicle is the Special Investment Facilitation Council, which in 2025 secured the principal frameworks for Reko Diq commercialization and now serves as the primary platform for new critical-minerals investment.

6.5 Carbon Markets, Article 6, and Climate Finance

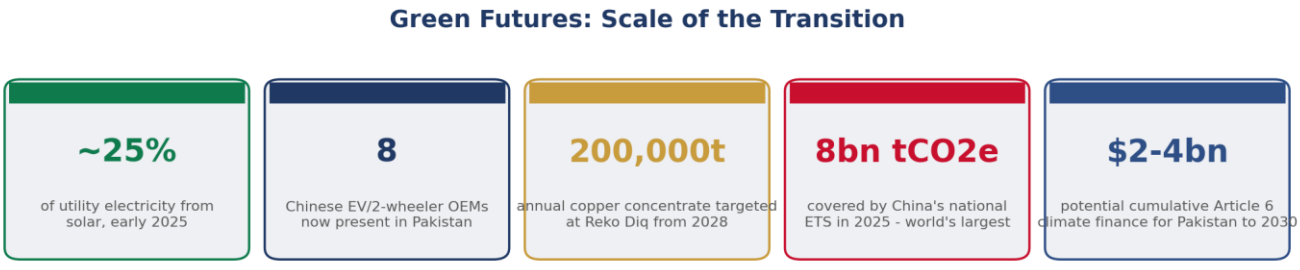
Pakistan's carbon-market readiness has accelerated meaningfully since the federal cabinet approved the National Policy Guidelines for Carbon Trading in January 2025 (Ministry of Climate Change and Environmental Coordination, 2025). The Article 6.2 bilateral cooperation agreement signed with Norway in April 2026, Pakistan's first, establishes operational precedent for Internationally Transferred Mitigation Outcomes (ITMOs) and creates a legal-institutional template that can be replicated bilaterally with China (DAWN, 2026; Malik, 2026). Pakistan Climate Change Authority is now

in advanced stages of designing the national carbon registry, the corresponding-adjustment infrastructure, and the MRV (monitoring, reporting and verification) systems necessary for credible Article 6 participation.

China is by some distance the world's most experienced operator of compliance carbon markets. The China National Emissions Trading Scheme, operational since 2021 in the power sector and now expanded to cement, steel, and aluminum, covered approximately 8 billion tons of CO_2-equivalent emissions in 2025, the largest such scheme globally (ICAP, 2025). The strategic opportunity is twofold. First, a bilateral Article 6.2 agreement with China can structure ITMO transfers from Pakistani decarbonization projects (rooftop solar, BESS deployment, EV adoption, mangrove afforestation, methane-reduction in agriculture) toward Chinese compliance-buyer demand. Second, the VM0052 methodology under Verra, the Coal-to-Clean Credit Initiative, provides a pathway to monetize early coal retirement: a relevant prospect given Pakistan's coal-heavy CPEC IPP fleet, where structured early retirement combined with replacement renewable capacity could generate significant high-integrity transition credits (Verra, 2024; Nature Communications, 2024). A Pakistan-China bilateral framework operationalizing VM0052 within CPEC would be a global first and a credibility-defining innovation for both countries' climate diplomacy.

Technical cooperation between Pakistan's Ministry of Climate Change and Environmental Coordination and the Chinese Ministry of Ecology and Environment, formally announced in October 2025, is now building a National Carbon Trading Framework with Chinese expert support, a development of considerable strategic significance (App.com.pk, 2025; Beijing Review, 2025). Pakistan's positioning as a credible Article 6 supplier could mobilize approximately USD 2-4 billion in cumulative climate finance through 2030, conservatively estimated, if MRV infrastructure reaches operational maturity (UNEP CCC Article 6 Pipeline, 2025). The frame is fully consistent with the GDI's climate-and-green-development priority area and aligns directly with the Environment pillar of URAAN Pakistan.

AT A GLANCE



Selected indicators of the green-technology transition discussed in Sections 6.1-6.5.

6.6 Digital Economy, AI and Fourth Industrial Revolution

Pakistan's digital trajectory is rapidly converging with China's Digital Silk Road. Huawei and ZTE have anchored 4G and 5G rollouts; Alibaba's Daraz commands a leading e-commerce market share; CPEC

fibre-optic cable provides backbone redundancy; and Chinese cloud and AI providers are entering through joint-venture structures. The strategic frontier is data-centre cooperation, sovereign cloud, and AI-model adaptation in Urdu, Sindhi, Punjabi, and Pashto. Pakistan's designation as a partner country for China's 15th Five-Year Plan (2026-2030), announced in January 2026, is the formal channel to negotiate co-investment in this frontier (Pakistan Observer, 2026). The convergence with the GDI's digital-economy priority area is structural rather than incidental: the same priorities that animate the GDI, bridging the digital divide, supporting digital infrastructure in developing countries, and developing digital-economy talent, map directly onto the E-Pakistan pillar of URAAN Pakistan.

6.7 Pakistan as China's Connectivity Anchor towards 2049

China's 2049 strategic horizon, the centenary of the People's Republic, is now a stated long-term planning framework in Beijing. Pakistan's geographic position makes it indispensable to this horizon. Three convergence vectors deserve emphasis. First, the Trans-Afghan extension of CPEC, formally agreed in the China-Pakistan-Afghanistan trilateral of May 2025, opens Central Asian connectivity at a moment when Russian and Iranian routes face friction. Second, Gwadar's evolution into a regional energy and trans-shipment hub, including potential LNG re-export and green-hydrogen export capacity, can absorb Gulf and Central Asian feedstocks in ways Karachi cannot. Third, Pakistan's SCO chairship in 2026-2027 provides the multilateral platform to lock in connectivity standards, customs harmonization, transit protocols, digital-payment interoperability, that will outlast any single political administration in either country (MoFA, Pakistan, 2026). The convergence with the GGI's focus on inclusive global governance is direct: the SCO economic-cooperation track is the most credible operational vehicle for the GGI's principles in continental Asia. To fully utilize Phase-II of CPEC, Pakistan must address internal absorptive-capacity gaps. This involves standardizing quality controls (SPS measures) for agricultural exports and investing in labor skills within SEZs. The 'First E' (Exports) should be treated as a measure of Pakistan's industrial readiness rather than a passive reflection of trade flows.

7. Way Forward: Operationalizing Cooperation through 5Es of URAAN Pakistan

The cumulative analysis of the preceding six sections points towards a structured operational agenda. The architecture of this agenda is not invented for this report, it adopts the 5Es framework of URAAN Pakistan as its operating system. The deliberate choice is methodological: Pakistan's national economic transformation plan, formally launched in January 2025 with a horizon to 2029 and a vision for a USD 1 trillion economy by 2035, provides the most coherent domestic strategic architecture in recent decades, and embedding bilateral cooperation within that framework ensures that Pakistan-China engagement reinforces rather than competes with national priorities (Ministry of Planning Development and Special Initiatives, 2025; URAAN Pakistan: PM Shehbaz unveils, 2024).

Figure 7. The 5Es of Uraan Pakistan and Pakistan-China Cooperation Mapping

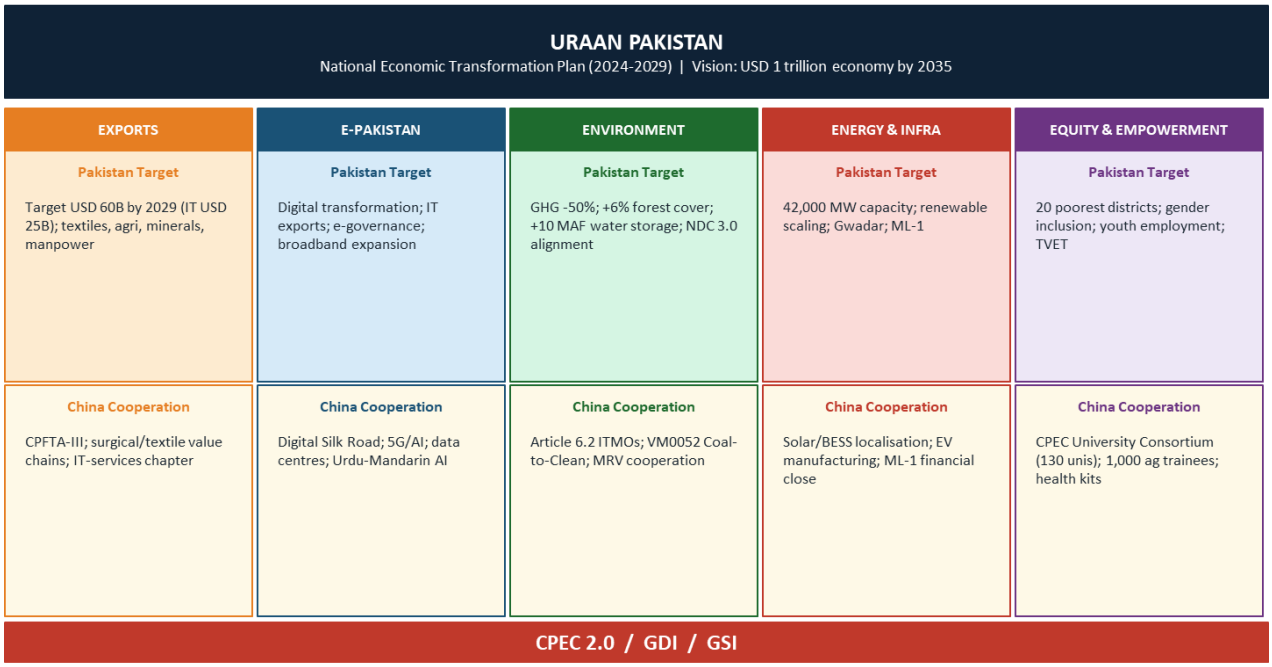


Figure 7 maps each of the five pillars of Uraan Pakistan to specific Pakistan-China cooperation tracks, with CPEC 2.0, the GDI, and the GSI as the connective tissue.

7.1 First E: Exports

Pakistan's 5E1 sets a target of USD 60 billion in annual exports by 2029, with explicit sub-targets of USD 25 billion from IT exports, expansion into textiles, agriculture, manufacturing, minerals, manpower, and the blue economy. The China cooperation track is structurally aligned. Five operational priorities deserve immediate attention. First, conclude the CPFTA Phase III conversation initiated in February 2025, with explicit chapters on agricultural and value-added textile exports, mutual recognition of testing and certification, IT and digital services, green-products preferential treatment, and SME-export facilitation. Second, operationalize the surgical and medical-instruments export pathway through CDA-issued Halal-and-ISO bilateral certification for Sialkot manufacturers,

monetizing the USD 370 million latent potential identified by Pakistan Business Council. Third, secure the basmati-rice and processed-seafood SPS protocols that have historically constrained Pakistani agricultural exports. Fourth, position Pakistan within Chinese-anchored regional value chains for export-base diversification, particularly to GCC, Central Asian, and African markets. Fifth, embed export-oriented FDI from Chinese OEMs in SEZs, with mandatory technology-transfer and absorptive-capacity requirements. The institutional lead is Ministry of Commerce in coordination with Special Investment Facilitation Council, Pakistan Single Window, and Trade Development Authority of Pakistan.

7.2 Second E: E-Pakistan

Pakistan's 5E2 prioritizes digital transformation, IT exports, e-governance, and broadband expansion. China cooperation is the single most consequential external partner for this pillar. Five operational priorities deserve attention. First, formalize Pakistan's engagement with China's Digital Silk Road through a structured framework agreement covering data centres, sovereign cloud, AI, 5G expansion, and submarine-cable connectivity. Second, deploy joint AI research and development for South Asian languages, Urdu, Sindhi, Punjabi, Pashto, leveraging the linguistic-resource advantages of Pakistani academia and the model-architecture leadership of Chinese AI companies, including Alibaba, Baidu, and the leading research institutes at Tsinghua and Peking universities. Third, expand Pakistan's engagement with China's 15th Five-Year Plan (2026-2030) digital-economy chapters, formally designated for partner-country participation. Fourth, scale up the Pakistan-China Joint Cybersecurity Working Group, formalized in 2024, to address both bilateral cyber-threat coordination and capacity-building for Pakistan's emerging digital-economy infrastructure. Fifth, position Pakistan's E-Commerce policy 2025-2030 within the GDI's digital-economy priority area, leveraging the GDI's funding instruments for digital-infrastructure development. The institutional leads are the Ministry of IT and Telecom, the Pakistan Telecommunication Authority, and the National Information Technology Board.

7.3 Third E: Environment and Climate Change

Pakistan's 5E3 targets a 50 per cent reduction in greenhouse gas emissions, a 6 per cent increase in forest cover, an additional 10 million acre-feet of water-storage capacity, and full alignment with NDC 3.0 commitments. China cooperation provides the most consequential operational pathway. Five operational priorities deserve attention. First, conclude the Pakistan-China Article 6.2 bilateral cooperation agreement, building on the precedent set by the April 2026 Pakistan-Norway agreement. The agreement should structure ITMO transfers from Pakistani decarbonisation projects, distributed solar, BESS deployment, EV adoption, mangrove afforestation, agricultural methane reduction, toward Chinese compliance-buyer demand under the China National Emissions Trading Scheme. Second, operationalize the VM0052 Coal-to-Clean Credit Initiative within CPEC, structuring early retirement of coal IPPs combined with replacement renewable capacity to generate high-integrity transition credits. Third, deepen the bilateral MRV cooperation announced in October 2025, providing

Pakistan with the technical infrastructure for credible carbon-market participation. Fourth, integrate Pakistan's mangrove afforestation programme, 14 million trees planted to date, into a structured blue-carbon framework with Chinese co-financing. Fifth, leverage the Loss and Damage Fund agreed at COP-28 for Chinese co-financing of climate-adaptation projects in Balochistan and the upper Indus Basin. The institutional leads are Ministry of Climate Change and Environmental Coordination, Pakistan Climate Change Authority, and Pakistan Environmental Protection Agency.

7.4 Fourth E: Energy and Infrastructure

Pakistan's 5E4 targets total installed energy capacity of 42,000 MW by 2029, a fundamental shift toward renewables in the generation mix, and the completion of major infrastructure including ML-1, the Greater Karachi Water Supply (K-IV) project, and the Diamer-Bhasha Dam. China cooperation is the single most consequential external partner. Five operational priorities deserve attention. First, achieve financial close on ML-1 at a revised cost envelope, deploying the project as the principal infrastructure deliverable of CPEC Phase II. Second, scale up solar and BESS localization within the Rashakai, Allama Iqbal, and Dhabeji SEZs, with binding technology-transfer requirements for Chinese OEMs and an explicit pathway from module assembly through cell fabrication to full polysilicon-to-panel integration. Third, anchor the Pakistan EV ecosystem within Chinese-supplied battery-cell joint ventures, leveraging the CPFTA framework for export-oriented production. Fourth, restructure CPEC IPP capacity payments through dollar-to-RMB denomination conversion or tenor extension in exchange for tariff relief. Fifth, develop Gwadar as a regional energy and trans-shipment hub, including LNG re-gasification, green-hydrogen pilot, and integrated trans-shipment for Central Asian and Gulf cargo. The institutional leads are Ministry of Energy (Power Division), Ministry of Energy (Petroleum Division), Ministry of Communications, Ministry of Planning Development and Special Initiatives, Ministry of Maritime Affairs, and CPEC Authority.

7.5 Fifth E: Equity, Ethics, and Empowerment

Pakistan's 5E5 prioritizes inclusive growth across the 20 poorest districts identified for socioeconomic uplift, gender inclusion, youth employment, and structured TVET deployment. China cooperation, although less visible in quantitative aggregates, is among Pakistan's most consequential bilateral partners for this pillar. Five operational priorities deserve attention. First, scale up the CPEC Consortium of Universities from 130 to 200 member institutions by 2030, with explicit emphasis on Pakistani institutions in the 20 poorest districts. Second, operationalize the 2025 China-Pakistan TVET Memorandum of Understanding, deploying Chinese vocational instructors, equipment-aligned curricula, and certification interoperability across at least 50 TVET centres in Pakistan by 2028. Third, expand the agricultural training programme, 1,000 Pakistani trainees in 2025, to 5,000 cumulative trainees by 2030, with a structured women-and-youth quota. Fourth, scale the China-Pakistan Friendship Hospital model from Gwadar to four additional regional hubs, addressing the binding healthcare access constraint in Balochistan, the Federally Administered Tribal Areas (now merged with

Khyber Pakhtunkhwa), and underserved Sindh districts. Fifth, deepen the China-Pakistan Joint Working Group on Poverty Alleviation, established in 2024, to systematically transfer the Chinese poverty-graduation methodology that lifted 770 million Chinese citizens out of poverty into Pakistan's 20 poorest districts. The institutional leads are the Higher Education Commission, National Vocational and Technical Training Commission (NAVTTC), Ministry of Federal Education and Professional Training, Benazir Income Support Programme, and Pakistan Poverty Alleviation Fund.

Table 3 maps each pillar of Uraan Pakistan to specific China-cooperation tracks and institutional leads.

Pillar	Pakistan Target (5Es)	China Cooperation Track	Lead Pakistani Institution
EXPORTS	USD 60B by 2029; IT USD 25B; textiles, agri, minerals	CPFTA-III; SPS protocols; surgical/textile value chains; IT-services chapter; export FDI	Ministry of Commerce; SIFC; TDAP; Pakistan Single Window
E-PAKISTAN	Digital transformation; IT exports; e-governance; broadband	Digital Silk Road; 5G/AI; data centres; Urdu-Mandarin AI; cybersecurity	Ministry of IT & Telecom; PTA; NITB
ENVIRONMENT	GHG -50%; forest +6%; water +10 MAF; NDC 3.0	Article 6.2 ITMOs; VM0052 Coal-to-Clean; MRV cooperation; mangrove blue carbon	MoCC&EC; PCCA; PEPA
ENERGY & INFRA	42,000 MW capacity; renewable scaling; ML-1; Gwadar; Diamer-Bhasha	Solar/BESS/EV localisation; ML-1 financial close; Gwadar energy hub; IPP RMB conversion	MoE (Power & Petroleum); MoC; CPEC Authority; MoMA
EQUITY & EMPOWERMENT	20 poorest districts; gender; youth; TVET	CPEC Univ. Consortium expansion; TVET MoU operationalisation; agri training; poverty graduation	HEC; NAVTTC; MoFEPT; BISP; PPAF

Table 3. Pakistan-China cooperation matrix mapped to the 5Es framework. Source: Author's synthesis from Ministry of Planning Development & Special Initiatives (2025); Embassy of the People's Republic of China in Islamabad (2026); MoFA Pakistan (2026).

Figure 4. The Five Pillars of CPEC 2.0+: Pakistan-China Cooperation Toward 2049

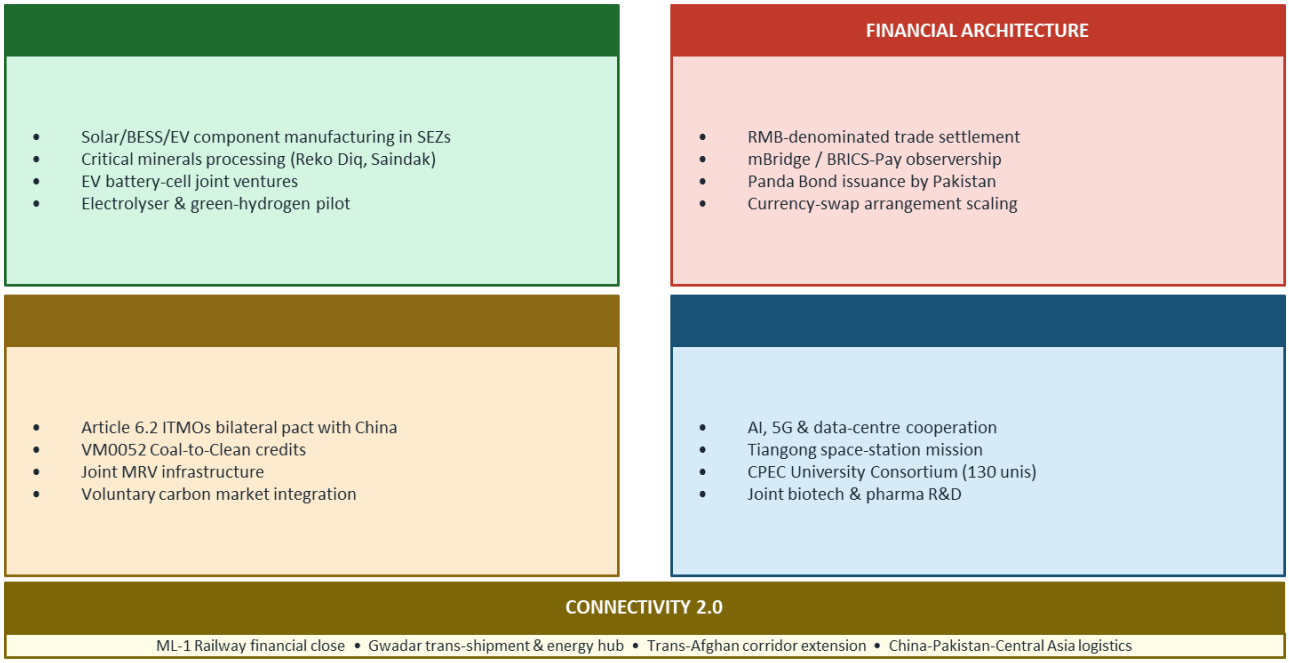


Figure 4. Five strategic pillars synthesize green industrialization, financial architecture, carbon and climate finance, knowledge and digital cooperation, and connectivity into a coherent agenda for CPEC 2.0+ that maps directly to the 5Es of URAAN Pakistan.

7.6 Caveats and Conditions for Success

This report would be analytically dishonest if it did not flag five conditions that bind the success of the agenda. First, security of Chinese personnel and assets in Pakistan must be addressed structurally rather than tactically. The 2024-2026 series of incidents have raised insurance premia, slowed Phase II disbursement, and strained political confidence. The institutional response, deeper Safe-City coverage, the Special Protection Unit's expansion, a calibrated framework for foreign private security cooperation, and, most importantly, a sustained engagement with local-community grievances in Balochistan and KP, must be sustained politically across electoral cycles and embedded within the GSI principles of indivisible security and non-traditional security cooperation (IDSA, 2026).

Second, IPP capacity-payment renegotiation must be conducted carefully. Reopening signed contracts unilaterally creates contagion risk for all Chinese investment in Pakistan; structured, mutually-agreed restructuring, such as conversion of dollar-denominated capacity payments to RMB, or extension of tenor in exchange for tariff relief, is the empirically defensible route (Khan & Khan, 2024). The 2025 dialogue between the Ministry of Energy (Power Division) and the China Council for the Promotion of International Trade has identified the technical parameters; the political-economy choice is now Islamabad's.

Third, Pakistan must address the absorptive-capacity gap. Without a parallel investment in technical and vocational education, regulatory predictability, and customs efficiency, Phase II SEZs will yield selective industrial footholds rather than broad-based export transformation (Wang & Roy, 2024;

IDSA, 2026). The 2025-2029 China-Pakistan planning documents now embed structured TVET cooperation as a formal pillar; this should be operationalized aggressively, with explicit targets for vocational-graduate placement in CPEC SEZ industries.

Fourth, Pakistan must resist the temptation to frame the China relationship in zero-sum terms with respect to other partners. The empirical record suggests that countries that succeed in extracting maximum benefit from Chinese investment are those that simultaneously maintain robust engagement with the IMF, World Bank, ADB, AIIB, and bilateral OECD partners. Pakistan's SIFC framework, explicitly designed for multi-source FDI mobilization, is the right institutional vehicle, provided that it is shielded from political volatility.

Fifth, and most consequentially, Pakistan must build state capacity to operationalize the GDI/GSI/GCI/GGI architecture rather than merely endorsing it diplomatically. The historical record of Pakistan-China cooperation is that diplomatic endorsement without operational follow-through produces neither developmental dividend nor strategic deepening. The institutional response, a dedicated cell within the Ministry of Foreign Affairs charged with translating GDI/GSI/GGI principles into specific Pakistan-China bilateral deliverables, is the most consequential single recommendation of this report.

8. Conclusion: Towards One Hundred Years

Seventy-five years after the exchange of recognition letters in 1951, Pakistan-China relations stand on architecture, i.e. by almost any metric, is the most consequential bilateral partnership in Pakistan's strategic portfolio. This report has documented the historical depth of the relationship, architecture of China's four global initiatives, GDI, GSI, GCI, GGI, within which Pakistan-China cooperation now formally sits, the transformative impact of CPEC Phase I, the persistent rebalancing imperative in trade and finance, the maturing people-to-people layer, and the genuinely transformative opportunities that lie in green industrialization, multipolar financial architecture, carbon-market integration, and digital cooperation.

The verdict, written in the historian's long hand, is straightforward: the partnership has delivered measurably more for Pakistan than any alternative could have done over the same period, even after honest accounting of the structural problems generated by specific contractual choices. The challenge for the next twenty-five years, the path to the centennial of formal diplomatic relations in 2051, is not to celebrate the past but to convert the friendship into a productive transformation engine. This requires Pakistan to do its own work: regulatory predictability, fiscal discipline, energy-pricing reform, industrial absorptive capacity, security architecture, and educational investment. China cannot do for Pakistan what Pakistan must do for itself; having China as the partner of first resort while Pakistan does that work is itself an asset of incalculable strategic value.

Pakistan, at this 75th anniversary moment, has the rare opportunity to sequence a coherent strategy that uses the 5Es of URAAN Pakistan as the operating system, the four global initiatives of China as the multilateral scaffold, and CPEC 2.0 as the bilateral execution vehicle. The three architectures, 5Es, global initiatives, CPEC 2.0, are mutually reinforcing rather than competing. Their alignment, properly executed, will not merely consolidate the All-Weather Strategic Cooperative Partnership; it will transform Pakistan into the developmental story that the 1951 founders could only imagine.

LOOKING AHEAD

Indicative markers on the road from the 75th to the 100th anniversary of Pakistan-China relations.

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