From Tension to Dialogue:

How Pakistan-China Partnership Can Ease India-Pakistan Strains

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EXECUTIVE SUMMARY

The Council on Foreign Relations (CFR) Conflicts to Watch in 2026 report assigns a moderate probability to renewed armed conflict between India and Pakistan, driven by heightened terrorist activity and unresolved grievances over Kashmir. The May 2025 military exchange — triggered by the Pahalgam attack that killed 26 tourists — underscored how quickly sub-threshold violence can escalate toward catastrophic confrontation between two nuclear-armed states. This policy brief argues that the Pakistan-China strategic partnership, anchored in the China-Pakistan Economic Corridor (CPEC) and the Community with a Shared Future framework, offers underutilised leverage for structured de-escalation. By redirecting CPEC's economic corridors toward trilateral trade connectivity, activating Belt and Road Initiative (BRI) institutional forums as confidence-building platforms, and treating trans-boundary water management as a cooperative rather than contested domain, Beijing and Islamabad can create tangible incentives for New Delhi to re-engage. The pathway to South Asian stability does not bypass China — it runs through it.

1. A REGION ON THE PRECIPICE: ASSESSING THE RISK LANDSCAPE

South Asia entered 2026 carrying the unresolved trauma of the most serious India-Pakistan military exchange in decades. On 22 April 2025, a terrorist attack on tourists in Pahalgam, Jammu and Kashmir, claimed 26 innocent lives and ignited a crisis that culminated in Indian missile strikes on Pakistani territory, a four-day military standoff, and a fragile ceasefire on 10 May 2025. The ceasefire, brokered in part through back-channel diplomacy — with both Washington and Beijing staking claim to its facilitation — held the line. But it did not resolve the underlying fault lines.

The Council on Foreign Relations, in its authoritative Conflicts to Watch in 2026 report published in December 2025, assessed a moderate probability of renewed armed conflict between India and Pakistan, driven by heightened terrorist activity and continued repression in Indian-administered Kashmir. Intelligence inputs cited in the report indicate that over 30 militants were positioned across the Line of Control, maintaining persistent infiltration pressure. The U.S. Defense Intelligence Agency's Annual Threat Assessment reinforced this alarm, noting that Pakistan regards India as an existential threat — a posture that, when paired with nuclear arsenals on both sides, dramatically compresses the margin for miscalculation.

Adding further complexity, India's unilateral suspension of the 1960 Indus Waters Treaty following the Pahalgam attack introduced a hydro-political dimension to an already volatile security environment. For Pakistan, whose agricultural economy is structurally dependent on Indus basin flows, water weaponisation is not an abstract concern — it is existential. The convergence of terrorist triggers, nuclear brinkmanship, and resource insecurity demands a structural diplomatic response, not merely crisis management by external actors.

2. THE PAKISTAN-CHINA STRATEGIC ARCHITECTURE: MORE THAN AN ALLIANCE OF CONVENIENCE

The Pakistan-China relationship is frequently characterised as transactional, grounded primarily in shared antipathy toward India. This framing misses the depth and institutionalisation that has occurred, particularly

since 2015 when CPEC was formally launched as a flagship component of the Belt and Road Initiative. By September 2025, China and Pakistan had jointly issued a 2025–2029 Action Plan to foster an even closer China-Pakistan Community with a Shared Future in the New Era — a framework that elevates the bilateral relationship from infrastructural partnership to a civilisational compact grounded in shared development norms, multilateral governance philosophy, and people-to-people connectivity.

Chinese Foreign Minister Wang Yi's December 2025 declaration that Beijing had mediated the May 2025 India-Pakistan military conflict — however disputed by New Delhi — is diplomatically significant. It signals China's desire to be perceived as a responsible regional stabiliser, not merely as Pakistan's strategic patron. This aspirational posture, rooted in Beijing's broader Community of Shared Future for Humanity doctrine, creates an institutional opening: if China is willing to position itself as a mediator, the Pakistan-China partnership can become a platform for dialogue architecture rather than an axis of bilateral pressure.

Beijing has demonstrated this template before. The 2023 China-mediated Saudi-Iran rapprochement — facilitated through BRI economic interdependencies and the logic of shared connectivity — offers a replicable model. The underlying mechanism is consistent: mutual economic exposure reduces the appeal of conflict. The question for South Asia is whether that logic can be extended to a dyad as historically entrenched as India-Pakistan.

3. CPEC AS A CATALYST FOR TRILATERAL ECONOMIC ENGAGEMENT

The China-Pakistan Economic Corridor, now in its second phase and extending toward Afghanistan following the August 2025 Kabul Trilateral Dialogue between Chinese, Pakistani, and Afghan foreign ministers, represents the most consequential infrastructure architecture in the sub-region. CPEC's network of roads, energy pipelines, industrial zones, and port infrastructure from Kashgar to Gwadar constitutes a physical invitation to regional economic integration — one that, by design or diplomacy, could encompass Indian trade interests.

The economic case for Indian engagement is compelling. India's trade with Central Asia and beyond is constrained by the absence of direct overland connectivity through Pakistan. Indian goods destined for Afghanistan, Iran, and Central Asian markets travel circuitous maritime routes, adding cost and time. CPEC's western corridor — if opened to trilateral participation under a negotiated framework — could reduce Indian logistics costs by an estimated 30–40%, according to Asian Development Bank connectivity analyses. The precedent exists: the International North-South Transport Corridor involves competitive states cooperating on shared infrastructure despite political differences.

Practical trilateral entry points through CPEC could include:

- Special Economic Zones along CPEC corridors designated for Indian goods transit under preferential tariff arrangements, mirroring models used in ASEAN cross-border SEZs.
- India-Pakistan-China Joint Trade Facilitation Committee under the Shanghai Cooperation Organisation (SCO) framework — all three states are full SCO members — to pilot reduced trade barriers on agricultural and pharmaceutical goods.
- Gwadar Port access negotiations, allowing Indian exporters to utilise Arabian Sea connectivity currently available only to Chinese and Pakistani operators, reducing maritime circumnavigation costs.

4. WATER AS A BRIDGE: THE INDUS BASIN COOPERATION IMPERATIVE

India's suspension of the Indus Waters Treaty following Pahalgam has transformed one of South Asia's most durable bilateral agreements into an active pressure point. Pakistan raised alarms at the United Nations, and China — which controls headwaters across the Tibetan Plateau feeding multiple South Asian river systems — announced acceleration of dam infrastructure in Pakistani territory in implicit solidarity. Beijing signalled through strategic dialogues its readiness to conduct "trans-boundary water resources cooperation under the principle of equality and mutual benefit."

This creates an unrecognised diplomatic opening. Rather than allowing water to become an instrument of coercion, a China-Pakistan diplomatic initiative could propose a South Asian Water Security and Climate Resilience Framework — a tripartite mechanism inviting India as an equal partner. The framework could be housed within the SCO's environmental cooperation mandate, providing institutional legitimacy that reduces the political cost of Indian participation. Climate projections indicate that Himalayan glacier retreat will reduce Indus flows by up to 40% by 2060, creating a shared threat that transcends bilateral political grievances and compels collective hydrological governance.

The precedent of the Mekong-Lancang Cooperation framework — where China and five downstream Southeast Asian states manage contested river flows through structured dialogue — offers a replicable architecture. Pakistan and China could jointly propose an Indus Basin Dialogue Forum to be convened under BRI's environmental pillar, with technical working groups on flood early-warning systems, glacial lake outburst flood monitoring, and data-sharing protocols — entry points technocratic enough to be politically manageable for New Delhi.

5. INSTITUTIONAL FRAMEWORKS: ACTIVATING BRI AND SCO AS PEACE ARCHITECTURE

The BRI, as a diplomatic ecosystem, has created institutional architecture that can be repurposed for conflict prevention. The Conference on Interactions and Confidence-Building Measures in Asia (CICA), an intergovernmental forum championed by Beijing, includes both India and Pakistan as member states. China's successive BRI Forums have increasingly emphasised 'peace and stability' as preconditions for connectivity investment. This normative framing can be operationalised through specific proposals.

PRCCSF recommends the following confidence-building measures (CBMs) to be pursued through existing institutional channels:

- BRI South Asia Peace and Connectivity Sub-Forum: A dedicated annual dialogue convened by China under BRI auspices, bringing together Pakistani and Indian economic ministries, infrastructure agencies, and civil society representatives to discuss shared connectivity. Economic stakeholders in both countries — particularly Indian industry associations that lose billions annually due to trade obstruction — can build domestic constituencies for engagement.
- SCO Joint Counter-Terrorism Mechanism with Pakistan-India Co-Chairmanship: The SCO Regional Anti-Terrorist Structure (RATS) provides a framework for intelligence-sharing on non-state armed groups. Inviting India and Pakistan to jointly chair a thematic working group on cross-border terrorism

definitions and attribution protocols would create structured engagement on the very issue that most frequently triggers escalation.

- Pakistan-China-India Track 1.5 Dialogue Series: Building on China's mediating role in May 2025, Beijing could host a series of unofficial but government-adjacent dialogues involving retired military officials, academic strategists, and economic policymakers from all three countries. The inclusion of Chinese interlocutors reduces the bilateral political toxicity that has historically paralysed direct India-Pakistan dialogue.
- CPEC-Linked Humanitarian Cooperation Channel: Establishing a permanent Pakistan-China-India humanitarian logistics corridor — initially for disaster response and medical supply chains — would create functional interdependence generating political goodwill independent of the security relationship.

6. SCENARIOS FOR PEACE: WHAT STRUCTURED ENGAGEMENT COULD YIELD

The pessimistic scenario — one that CFR's 2026 assessment implicitly foregrounds — involves another terrorist trigger, another military exchange, and a fragile ceasefire that leaves structural incentives for conflict intact. In this trajectory, South Asia remains trapped in a security dilemma that periodic diplomacy cannot resolve because neither state has sufficient economic interdependence with the other to make conflict prohibitively costly.

The optimistic scenario — achievable within a five-year horizon if the 2025–2029 China-Pakistan Action Plan is deployed strategically — involves a different calculus. Envision a 2028 South Asia Economic Integration Summit, convened under BRI auspices, at which Indian and Pakistani trade ministers announce a phased restoration of overland trade, anchored by CPEC transit rights for Indian goods and a joint Indus Basin climate adaptation fund co-financed by Chinese development banks. The political conditions for such a summit are distant, but the institutional scaffolding can be assembled now — quietly, technically, and through the back channels that China's mediation in May 2025 has already partially established.

A middle-path scenario — perhaps the most realistic — involves graduated confidence-building: resumed consular services, restored trade in essential goods, and a formalised back-channel communication mechanism between the two Directors-General of Military Operations. China's role in such a scenario is not that of a grand mediator but of a constant, quiet facilitator — hosting meetings, providing economic incentives, and using CPEC's expanding footprint as a demonstration that connectivity and security can be mutually reinforcing rather than mutually exclusive.

7. CONCLUSION: TURNING STRATEGIC CAPITAL INTO DIPLOMATIC DIVIDEND

The Pakistan-China partnership is frequently discussed in terms of what it opposes — Indian hegemony, Western conditionality, Afghan instability. This framing underutilises its affirmative potential. The 2025–2029 Community with a Shared Future Action Plan, CPEC's expanding infrastructure logic, and China's demonstrated willingness to engage diplomatically in the India-Pakistan space constitute a rare alignment of strategic assets. The question is whether Islamabad and Beijing will deploy these assets in service of regional stability or allow them to remain instruments of bilateral solidarity alone.

For PRCCSF, the advocacy imperative is clear: the Pakistan-China relationship should be articulated internationally not as an exclusive bloc but as a connectivity architecture open to Indian participation on terms that respect Pakistani sovereignty and Chinese investment. The intellectual tradition of the ancient Silk Road — upon which the BRI draws its legitimacy — was never exclusive. It was precisely the openness of those routes to competing civilisations that made them engines of shared prosperity.

South Asia's nuclear geography makes the cost of strategic miscalculation incalculable. In that context, using the Pakistan-China partnership as a platform for confidence-building is not idealism — it is the most pragmatic security policy available. The time for structured trilateral diplomacy, beginning with economic corridors and water cooperation, anchored by BRI institutional frameworks, is not after the next crisis. It is now.

KEY POLICY RECOMMENDATIONS

1. Launch a BRI South Asia Peace and Connectivity Sub-Forum under Chinese facilitation, with Pakistan and India as co-participants.
2. Propose an Indus Basin Dialogue Forum within the SCO's environmental cooperation mandate, framing water security as a climate adaptation priority.
3. Establish a Pakistan-China-India Track 1.5 Dialogue Series, hosted in Beijing, to maintain back-channel communication between military and diplomatic establishments.
4. Negotiate a CPEC Transit Rights Framework granting Indian exporters limited overland access in exchange for Indian recognition of CPEC's developmental character.
5. Activate the SCO Regional Anti-Terrorist Structure (RATS) for joint Pakistan-India chairmanship on cross-border terrorism attribution protocols.
6. Create a CPEC Humanitarian Logistics Corridor as an initial low-politics entry point for trilateral functional cooperation.

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