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## Strategic Competition and Regional Recalibration: South Asia in the Shadow of United States–China Rivalry

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### Abstract

*This study examines the evolving strategic landscape of South Asia against the backdrop of intensifying rivalry between the People's Republic of China and the United States of America. Beijing now pursues an increasingly assertive bid for expansive global influence, whereas Washington exhibits a discernible inclination toward selective engagement and relative retrenchment. As the international system gradually moves from the post-Cold War era of unipolar predominance to a more pluralistic distribution of power, expectations of a seamless adjustment remain uncertain. Over recent years, bilateral relations between the two leading actors have deteriorated: cooperation has waned, mutual distrust has deepened, and previously institutionalised dialogues have faltered. Both governments consequently identify the Indo-Pacific theatre—and by extension the South Asian sub-region—as pivotal for safeguarding long-term security and economic interests. The ongoing reallocation of material, technological, and diplomatic capabilities constitutes a classic power transition that could crystallise into a twenty-first-century variant of the Cold War. Such a contest carries profound implications for the sovereign states of South Asia. This analysis, therefore, explores how regional governments calibrate their foreign policies within an increasingly competitive environment, alternately balancing or bandwagoning in response to divergent inducements and pressures. Particular attention is paid to the prospect of accelerated conventional and strategic arms procurement, the disruption of cross-border trade and investment flows, and the potential aggravation of existing socio-economic vulnerabilities precipitated by external alignments. Ultimately, the current trajectory of the United States–China competition portends serious consequences on both global and regional scales. The capacity of decision-makers to mitigate attendant risks will depend upon constructing inclusive diplomatic mechanisms, reinforcing multilateral norms, and prioritising sustainable development over zero-sum paradigms. Positioned at the intersection of these contending ambitions, South Asia is likely to remain a decisive arena wherein the emerging contours of a post-unipolar world order will be tested and defined in the decades to come.*

**Keywords:** United States–China Rivalry, South Asia, Strategic Competition, Foreign Policy Alignment

**JEL Codes:** F51, F52, H56, O53

### 1. INTRODUCTION

China's rapid ascent as a major global economic power has positioned it as a principal rival to the United States, fueling heightened competition for influence and leadership on the international stage. This shifting balance of power is perceived by American policymakers as a fundamental challenge to the United States' longstanding primacy, prompting a recalibration of its foreign policy to address the perceived rise of China (Mearsheimer, 2019). One notable manifestation of these evolving dynamics is the formation of new strategic alignments across the Indo-Pacific region, with the United States deepening engagement with India and other regional actors to counterbalance China's growing influence (Brewster, 2021). In this context, Pakistan's deepening economic and security ties with China, epitomized by the expansive investments under

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the China-Pakistan Economic Corridor, a flagship component of the Belt and Road Initiative, further complicate the regional landscape and heighten the risk of strategic rivalry spilling over into South Asia. Given Pakistan's security concerns vis-à-vis India and its increasing economic interdependence with China, it appears improbable that Islamabad would distance itself from Beijing's orbit, despite fluctuating relations with Washington. The United States, meanwhile, faces the complex task of balancing its strategic partnership with India, its security commitments in the region, and its historical relationship with Pakistan (Haider, 2022). Both India and Pakistan, for their part, are apprehensive about the evolving regional order and wary of the destabilizing potential of intensified major power competition.

China's substantial economic investments in Pakistan have significantly elevated the bilateral relationship, while also entrenching the country within Beijing's broader vision for regional connectivity and global economic integration (Wolf, 2019). In the emerging context of renewed great power competition, there is a growing risk that South Asia could become a theatre for proxy confrontations, with open strategic rivalry between China and the United States threatening the fragile geopolitical equilibrium of the region. The United States' strategy of leveraging India to constrain China's ambitions, particularly concerning maritime and land-based economic interests, reflects its broader effort to maintain its influence in Asia and counteract the perceived erosion of its dominance (Smith, 2021). Should the evolving tensions crystallize into a new form of Cold War, the consequences for regional stability and economic development in South Asia could be profound, with the potential for heightened polarization and strategic uncertainty.

The United States has maintained a longstanding strategic presence in South Asia, recognizing the region's geopolitical significance since the onset of the Cold War. Its proximity to both the Soviet Union and China, as well as its pivotal position along major maritime trade routes in the Indian Ocean, has historically shaped American engagement in the region (Grare, 2022). South Asia, home to roughly one-quarter of the world's population, possesses considerable natural resources and industrial capacity, making it a key node in global supply chains and economic networks. Since the mid-twentieth century, China has also developed extensive commercial and diplomatic relations with both Pakistan and India, shaping the dynamics of regional cooperation and competition (Small, 2015).

In the current era, the China-Pakistan Economic Corridor, an ambitious, multibillion-dollar component of China's Belt and Road Initiative, has emerged as a focal point of regional contestation. The project, which promises to transform connectivity and economic integration between China and Pakistan, has faced opposition from both the United States and India, who view it as altering the strategic balance in South Asia and enhancing China's influence (Wolf, 2019). China has consistently positioned itself as a steadfast diplomatic and economic partner to Pakistan, earning the moniker of "iron brother" and providing crucial support in times of crisis. At the same time, China's approach to India is characterized by a mix of security rivalry, economic engagement, and cautious cooperation on global and regional issues.

The longstanding border disputes, India's expanding power projection, and the competition for influence in the Indian Ocean all contribute to the persistent security tensions between China and India (Panda, 2020). India's perception of itself as a counterweight to China, rather than to the United States, has informed its evolving foreign policy, particularly its increasing strategic alignment with the United States in recent years. These dynamics have intensified the broader competition between the United States and China, producing what many analysts now describe as an emergent "new cold war" in the Indo-Pacific region. The ongoing rivalry between these two major powers carries profound implications for the stability of South Asia and raises concerns about the potential for wider conflict unless pragmatic and cooperative approaches are prioritized in regional and global diplomacy (Rauch & Wirtz, 2016).

## 2. THEORETICAL DISCUSSION

According to realist international relations theory, several trajectories can be envisioned for the evolving dynamic between the United States and China. Classical realism, structural realism, and neorealism each present distinct scenarios regarding the future of Sino-American relations. One potential scenario suggests that China will actively challenge the prevailing United States-led international order, seeking to undermine American dominance and reshape the global balance of power. Another possibility is that the United States and China may find avenues for cooperation in pursuit of shared interests, especially in areas such as economic stability and global security. A third scenario envisions China operating within the constraints of the existing order while incrementally increasing its capabilities and global influence, eventually seeking to establish its system of international leadership as its power grows (Chen, 2013).

John Mearsheimer's theory of offensive realism offers a particularly influential lens on this issue, arguing that the structural imperatives of the international system make a peaceful rise for China highly unlikely. Mearsheimer contends that as China's capabilities expand, the United States is likely to intensify its strategic competition, with both states engaging in efforts to maximize their power and security. He predicts that China will seek to expel the United States from Asia in a bid to establish regional hegemony, while the United States, for its part, will attempt to construct balancing coalitions with other regional actors to contain China's ambitions (Mearsheimer, 2014). This perspective is echoed in neorealist thought, which views international politics as an arena defined by relentless competition among states operating in an anarchic system, each striving for security and relative advantage.

Defensive realism, however, interprets American policy in Asia as grounded in strategic coordination and regional cooperation rather than outright military confrontation. While offensive realism emphasizes power projection and the use of military instruments to maintain hegemony, defensive realists point to the United States' preference for multilateral

engagement and alliance-building to preserve its interests (Sempa, 2015). The Obama administration's "pivot to Asia" strategy was underpinned by a realist appraisal of the shifting international landscape, acknowledging the rise of China and signaling a recalibration of American priorities. Rather than seeking to maintain absolute hegemony everywhere, the United States articulated a more selective approach, making calculated decisions about where and how to intervene in pursuit of its core national interests (Tehseen, 2017).

A return to realist principles thus shapes current United States policy toward China, framing the relationship in terms of strategic competition and balancing behavior, even as it departs from earlier liberal internationalist ideals. Realist theorists posit that power politics and systemic pressures dictate state behavior, with the international system compelling states like the United States to maximize their relative power in response to perceived challenges from rising powers such as China. This perspective has influenced not only the Obama administration's approach but also the subsequent strategies adopted under the Trump administration, which continued efforts to contain China and preserve American primacy in the Asia-Pacific region (Rose, 1998).

### **3. FORMATION OF A NEW GLOBAL ORDER**

The architecture of the international system is often described in hierarchical terms, with a preeminent state, the hegemon, occupying the apex and shaping the global order through its economic, political, and military influence. According to theories of hegemonic stability and power transition, the international order established by the dominant power is sustained until disparities in development rates enable emerging powers to challenge the status quo. Historically, such shifts in the balance of power have heightened the risk of conflict, particularly during periods when the incumbent hegemon perceives its position to be under threat from rising states (Organski & Kugler, 1980; Gilpin, 1981). In Chinese political discourse and historical memory, the concept of hegemony is frequently viewed with suspicion, often associated with coercive and self-interested behavior on the part of dominant states. This perception informs China's cautious approach to international leadership and its emphasis on non-interference and multipolarity in global affairs (Kang, 2007).

Transitions in global leadership can unfold peacefully, as evidenced by the relatively nonviolent handover of primacy from Britain to the United States in the twentieth century, a period during which the rising power was largely content with the existing international order and sought to preserve its core institutions. Conversely, history demonstrates that when a dissatisfied challenger emerges, such as Germany's rise in the early twentieth century, the likelihood of conflict increases, as the aspiring power seeks to reshape the system in its favor (Kupchan, 2012). These theoretical insights help explain the ongoing geopolitical rivalry between the United States and China, providing a framework for understanding contemporary tensions and anticipating possible trajectories, including the prospect of an emergent cold war with significant implications for regions such as South Asia (Griffiths, 2013).

### **4. FORMATION OF ORGANIZATIONS**

In the aftermath of the Second World War, the geopolitical landscape was shaped by a protracted and intense rivalry between the Soviet Union and the United States, a competition that influenced the daily lives of people worldwide and left a profound legacy on military strategies, technological innovation, and the architecture of modern international politics (Westad, 2017). This period, widely known as the Cold War, established patterns of alliance-building and strategic competition that continue to resonate in contemporary global affairs. In the present era, new coalitions have emerged to address evolving security concerns, most notably in response to the perceived rise of China as a major power in the Indo-Pacific region.

One of the most significant developments in this context is the revitalization of the Quadrilateral Security Dialogue, commonly known as the Quad, which brings together the United States, Japan, Australia, and India in a strategic partnership aimed at maintaining regional stability and promoting a rules-based order (Medcalf, 2020). The first in-person summit of Quad leaders in Washington, D.C., underscored the shared priorities of these nations and signaled their collective intent to balance the influence of major powers in Asia. Although official statements often refrain from explicitly naming China, the coalition's initiatives and statements suggest a focus on counterbalancing China's growing assertiveness, echoing, in some respects, the containment strategy adopted by the North Atlantic Treaty Organization during the early years of the Cold War.

Complementing the Quad, the establishment of the Australia-United Kingdom-United States security pact, known as AUKUS, marks a historic step in the formation of new defense alignments in the Indo-Pacific. The AUKUS agreement, announced in 2021, aims to enhance military interoperability and technological cooperation among its members, including the provision of nuclear-powered submarines to Australia. Analysts widely interpret AUKUS as a response to China's expanding presence in the region, with the stated objective of safeguarding the balance of power and deterring potential coercive actions (O'Rourke, 2022). Collectively, these strategic initiatives highlight the ongoing significance of alliance politics and power balancing in shaping the future of global security architecture.

### **5. AFGHANISTAN: PROXY WAR**

Afghanistan has long served as a crucial theater in the global struggle for influence between major powers, most notably during the original Cold War when the United States and the Soviet Union engaged in a protracted proxy conflict on Afghan

soil. This period saw Afghanistan become a focal point for external intervention and covert operations, with profound and lasting effects on its political and social fabric (Saikal, 2012). In more recent decades, Pakistan's involvement in the Afghan peace process, particularly its role in facilitating dialogue between the United States and various Afghan factions, has underscored the country's enduring importance in regional geopolitics. Pakistan's diplomatic efforts have frequently positioned it as a key actor in efforts to stabilize Afghanistan and to mediate between conflicting interests within and beyond the region (Rashid, 2021).

Following the Taliban's return to power, Afghanistan has been engulfed in a severe humanitarian crisis, marked by widespread economic collapse, food insecurity, and limited access to basic services. Pakistan has responded by advocating for international engagement with Afghanistan, urging global authorities to release frozen financial assets and providing humanitarian corridors, including the opening of its borders to allow shipments of aid and essential goods from India and other countries (Kugelman, 2022). The rapidly shifting alliances among major international players, the maneuvering of regional actors such as India, and Afghanistan's internal challenges, particularly the absence of robust political accountability and deep-seated ethnic and cultural divisions, have combined to exacerbate instability and uncertainty in the region. Observers warn that the evolving situation in Afghanistan could again make it a battleground for influence between global powers, with the risk of a renewed proxy competition reminiscent of the earlier Cold War era (Khan, 2020).

## 6. INDIA: AN EMERGING POWER

India's emergence as a significant regional and global power has elevated its strategic value in the evolving landscape of international politics. United States foreign policy analysts increasingly regard India as a vital partner in the context of renewed great power rivalry, often referred to as the "new cold war," characterized by growing tensions between the United States and China (Mohan, 2021). The deepening partnership between Washington and New Delhi is seen as an essential pillar for maintaining balance in the Indo-Pacific, yet this realignment carries complex consequences for the broader regional order. As the United States strengthens its ties with India, there is concern that this may result in a recalibration of Pakistan's own strategic posture, potentially restricting intelligence sharing and cooperation with Washington and affecting the nature of Pakistan-United States engagement, especially regarding policy and stability in Afghanistan (Fair, 2022).

Moreover, India's rising prominence in American foreign policy circles confronts it with difficult choices, as the intensifying trade and strategic competition between the United States and China unfolds along both its eastern and western borders. India faces a strategic dilemma: it must navigate its security and economic interests between these two major powers, while also addressing its longstanding rivalry with China. The expanding Chinese presence in Pakistan, particularly through infrastructure projects such as the development of Gwadar Port and the potential for a more pronounced military footprint, has heightened India's security anxieties and contributed to a sense of strategic encirclement (Pant & Passi, 2017). Ultimately, India's decisions in this emerging geopolitical environment will have significant ramifications not only for its foreign policy but also for the evolving dynamics among the United States, China, and Pakistan. The interplay between strategic alliances, economic interests, and regional rivalries is likely to shape the trajectory of security and cooperation in South Asia for years to come (Joshi, 2022).

## 7. ECONOMIC COMPETITION

The global economy has become increasingly interconnected, with China's rapid economic ascent fundamentally transforming patterns of trade, investment, and technological innovation worldwide. As China has emerged as a leading force in global commerce, its expanding economic footprint has made it a central trading partner, creditor, and investor for many countries, including the United States (Zou, 2021). The deep integration of China's economy into global supply chains and financial networks has rendered efforts by the United States and its allies to pursue strategies of economic containment both challenging and costly. Consequently, the ongoing rivalry between Beijing and Washington has become more protracted and complex, with significant ramifications for international stability and economic governance. This intensifying competition is particularly evident in high-tech sectors, where the division between competing models of governance and innovation is pronounced. Disputes over the development and deployment of advanced technologies—including artificial intelligence, fifth-generation telecommunications infrastructure, quantum computing, and satellite navigation—have given rise to what many observers describe as a bifurcation of the global economy (Rasser et al., 2022). The struggle to set standards and control critical technologies is not only economic but also deeply political, with contrasting approaches to digital governance and surveillance emerging between the world's leading economies.

While the United States currently maintains the largest economy globally, with a gross domestic product exceeding twenty trillion United States dollars as of 2020, China's economic output is rapidly catching up. Projections indicate that China could surpass the United States in economic size within the next decade, driven by sustained growth in high-value manufacturing, energy consumption, and technology development (World Bank, 2022). China's advances in fields such as robotics, artificial intelligence, 5G communications, and space exploration have raised concerns among policymakers in Washington and other Western capitals about the shifting balance of power (Ling, 2018). China's ambitious Belt and Road Initiative further underscores its strategy to expand influence across Eurasia and beyond, integrating vast regions into its economic sphere and facilitating the flow of capital, goods, and technology. The dramatic progress made by China in technological research and industrial capacity over the past twenty years has reshaped the global landscape and sparked

debates about the future configuration of international order and the prospects for cooperation or confrontation among the world's leading states.



**Figure 1: Redefining Economic Relations Between China and the US**

Promoting trade and investment relations between the United States and South Asian countries has contributed significantly to fostering economic interdependence and generating shared strategic interests across the region. The United States stands as the leading destination for Bangladeshi exports, playing a pivotal role in Bangladesh's export-driven economic growth. In 2022, the value of United States imports from Bangladesh reached \$11.2 billion, a substantial increase from \$8.3 billion in the previous year, reflecting robust demand for Bangladeshi textiles and apparel (U.S. Department of State, 2022). Meanwhile, Bangladesh's imports from the United States rose to \$3.0 billion in 2022, marking a notable year-over-year increase of twenty-six percent and highlighting deepening commercial ties (Office of the United States Trade Representative, 2023). The United States has consistently remained Bangladesh's principal export partner, further underscoring the significance of this bilateral trade relationship.

Trade relations between the United States and India have also experienced remarkable expansion, with total bilateral trade in goods and services estimated at \$191.8 billion in 2022. Of this amount, United States exports to India accounted for \$73.0 billion, while imports from India totaled \$118.8 billion, reflecting a dynamic and mutually beneficial economic partnership. Moreover, foreign direct investment by the United States in India reached \$51.6 billion in 2022, representing a year-on-year increase of over fifteen percent and illustrating the sustained interest of American businesses in the Indian market (Office of the United States Trade Representative, 2023). Similarly, the United States has played a critical role in Pakistan's external sector, consistently serving as Pakistan's largest export market. In 2021, the United States' imports of goods from Pakistan surpassed \$5 billion, outpacing imports from any other country and affirming the centrality of the United States in Pakistan's trade landscape. The United States has also been a leading foreign investor in Pakistan for the past two decades. In the most recent fiscal year, the United States' direct investment in Pakistan increased by fifty percent, reaching its highest level in more than a decade and signaling renewed investor confidence and engagement (US Department of State, 2022). Collectively, these patterns of trade and investment underpin robust economic partnerships and contribute to regional stability and prosperity.



**Figure 2: China, USA, and India competition for Asia Region Dominance in the 2030s**

Recent actions by the United States to impose restrictions and sanctions on Chinese technology firms illustrate the increasing intersection of national security concerns and global economic policy. In August 2023, President Joe Biden signed an Executive Order that prohibits American investments in specific sectors of the Chinese technology industry,



including artificial intelligence, quantum information technologies, semiconductors, and other strategically sensitive areas. The order is intended to safeguard United States national security by curtailing the flow of American capital into industries that could bolster China's military capabilities. It imposes significant limitations on various forms of investment, such as those involving private equity, venture capital, partnership arrangements, and new business ventures in China. The complex and sometimes ambiguous regulatory environment has prompted anxiety among American financial institutions regarding compliance requirements and the broader impact on global investment strategies (White House, 2023).

In a parallel move, the United States government in September 2023 sanctioned several Chinese and Russian companies for allegedly supplying components to an already sanctioned Russian entity involved in manufacturing drones for use in the conflict in Ukraine. These targeted measures reflect a broader trend of using economic tools and export controls to advance security and foreign policy objectives (U.S. Department of the Treasury, 2023). As a result of these restrictions, Chinese technology companies are intensifying efforts to develop indigenous artificial intelligence systems and semiconductor technologies that reduce their reliance on American hardware and software. The repercussions of these policy shifts extend beyond the immediate parties involved, potentially affecting economies such as India and Pakistan, both of which depend heavily on Chinese investments, telecommunications infrastructure, and technological know-how. Any disruption in the flow of technology, capital, or components could have significant implications for economic growth and innovation across South Asia, given the intricate web of supply chains and regional dependencies (Zhou, 2023).



Figure 3: The two biggest economies

## 8. RACE FOR MILITARY POWER DOMINANCE

China has increasingly leveraged its political, economic, and military resources to expand its presence and assert control across the eastern maritime domains, particularly the South China Sea and the broader Indo-Pacific region. The Chinese government has integrated advanced technologies—such as robotics, artificial intelligence, unmanned aerial systems, and sophisticated digital surveillance networks—into its maritime strategy, employing both symmetrical and asymmetrical tactics to project influence and secure its interests (Erickson & Bickford, 2019). The establishment of military bases, the construction of artificial islands, and the deployment of dual-use infrastructure in the Pacific and Indian Ocean regions have provided China with enhanced logistical and operational capabilities, supporting both commercial and military objectives (Ling, 2018). Along the eastern coast of Africa and throughout the Indian Ocean, China's growing network of ports and bases has enabled a mix of economic integration and expanded military access, contributing to a significant shift in regional power dynamics.

China's naval modernization program aims to transform its navy into the largest and most technologically advanced maritime force in the world by the mid-2030s. Ambitious plans call for a fleet of up to five hundred vessels, including advanced submarines, torpedo-equipped boats, and multiple aircraft carriers (Cordesman & Colley, 2023). In addition, China's development of robust space-based capabilities—especially for command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR)—has further enhanced its strategic reach and capacity for power projection (Cheng, 2022). Conversely, the United States maintains an extensive network of overseas bases and forward-deployed forces, with nearly four hundred military outposts across the globe. This posture is central to an ongoing strategy of containment and power balancing, particularly in response to China's assertiveness. Strategic dialogues such as the Quadrilateral Security Dialogue (Quad), which brings together the United States, India, Japan, and Australia, have intensified in recent years and are widely interpreted as efforts to counterbalance China's regional ambitions (Smith, 2021). The fundamental competition between the United States and China is rooted in Beijing's challenge to Washington's long-standing leadership in technology, finance, and global governance. China's rapid advances in high-tech industries, combined with the scale and dynamism of its domestic market, have enabled it to exert considerable influence across East, Central, and South Asia. The Belt and Road Initiative exemplifies China's ambition to build an integrated economic corridor spanning Eurasia and the Asia-Pacific, potentially reshaping international economic and institutional norms to better reflect Chinese preferences and priorities (Rolland, 2017). As a result, the current contest for dominance in the international system is not only about military strength but also concerns technological innovation, economic governance, and the architecture of global institutions.

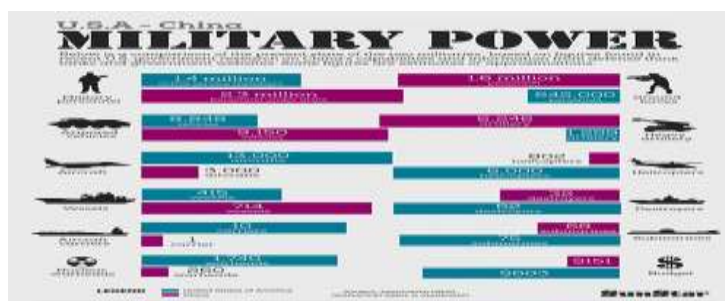


Figure 4: Comparison of the present state of the two militaries, power

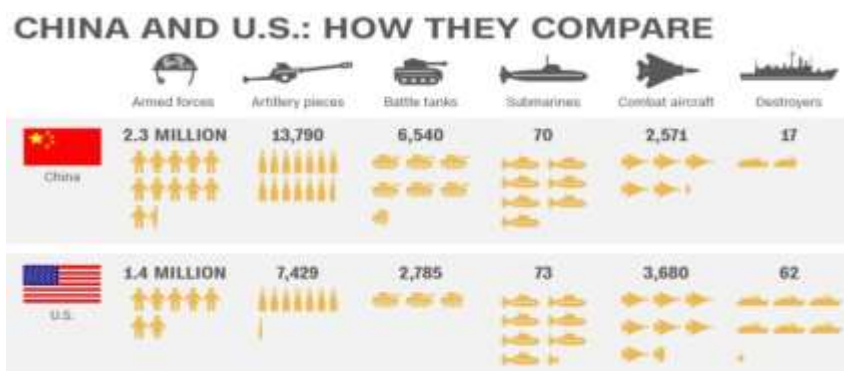


Figure 5: Military balance, 2015, International Institute for Strategic Studies

## 9. CONCLUSIONS

In conclusion, the struggle for hegemony in South Asia between the United States and China has significantly shaped the geopolitical contours of the region. Unlike the overt military confrontations that characterized the original Cold War, the present rivalry manifests itself through an intricate web of strategic partnerships, economic investments, and defense collaborations, echoing but also transforming traditional patterns of great power competition. During the Cold War era, South Asia's strategic value drew both the United States and the Soviet Union into a sustained struggle for influence; today, similar patterns are re-emerging, albeit with new actors and under new conditions. Pakistan's official stance underscores a reluctance to align with any particular bloc, informed by the costs of past alliances and the desire to pursue a more balanced foreign policy in a multipolar world. However, the regional environment has evolved, and the United States has recalibrated its approach by forging stronger security and economic ties with India, while China has expanded its reach through large-scale economic corridors, infrastructure projects, and enhanced military cooperation, particularly in the Indo-Pacific region and through frameworks such as the Quadrilateral Security Dialogue. The persistent and robust growth of the Chinese economy, projected to surpass that of the United States in the coming decade, points toward a possible reconfiguration of the global order from one dominated by geopolitical competition to one increasingly defined by geo-economic strategies and interdependence. Nonetheless, underlying political and security dynamics remain salient, and South Asian states are compelled to adopt complex balancing strategies to maximize the benefits of Chinese investment while safeguarding vital security relationships with the United States. China's emphasis on economic development, notably through initiatives like the Belt and Road and the China-Pakistan Economic Corridor, seeks to strengthen regional connectivity and promote shared prosperity. In contrast, the experience of the United States and its North Atlantic Treaty Organization partners in Afghanistan serves as a cautionary example of the limits of militarized engagement in the region, with the withdrawal from Afghanistan underscoring the formidable challenges of sustaining a long-term presence and achieving stable outcomes in complex regional environments. Ultimately, the evolution of great power rivalry in South Asia signals a shift toward multifaceted competition, where economic, strategic, and diplomatic factors converge and where regional actors are increasingly assertive in pursuing their interests amidst the shifting balance of power.

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