

POWER POLITICS IN THE US-CHINA TRADE WAR: COMPARATIVE GEOECONOMIC IMPACTS ON PAKISTAN AND INDIA

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ABSTRACT

The US-China trade war has re-emerged and it has redefined the economic relationships in the world forcing the emerging economies to redefine trade and foreign-policy policies. The paper will use power-politics and neo-mercantilist model to examine how increased US-China tariff wars affect Pakistan and India. The study looks at how exports, the impact of tariffs, and strategic responses of the two countries have changed using descriptive trend analysis of trade data between 2001-2025. The results show that exports to US are devastated by 50 percent US tariffs on labour intensive sectors like textile, apparel, gems, marine products and leather as India previously had a US bound exports of about 86.5 billion annually (18-20 percent of total exports). All this would potentially cut exports to the US by 43 percent, shave GDP growth by 0.4-0.5 percent, disturb employment, and undermine competitiveness in the region, in comparison to other regional competitors, such as Vietnam and Bangladesh. Conversely, Pakistan trade linkages are still limited since the country is not well diversified, it is reliant on textiles and it has limited penetration into high-value global value chains. The US-China trade war complicates the Pakistan strategic dilemma of either upholding economic and strategic relationships with Washington or continuing to have its relationship with Beijing. The policy responses in Pakistan are either exploiting alternative markets and investments by the Belt and Road Initiative, as well as India pursuing the mitigation of the loss in the form of export diversification and bilateral trade agreements. In general, the research paper illustrates how economic competition by great powers creates asymmetric pressures, which condition trade performance, strategic autonomy, and development patterns in South Asia. Through uniting trade patterns, tariff effects and policy options, this study has identified how peripheral states find their way through competitive geoeconomic environments in the face of US-China tensions.

Keywords: US-China trade war, South Asia, Pakistan, India, Geo-Economics, tariffs, trade policy, strategic autonomy.

Introduction

The escalation of the economic competition between China and the United States since 2018 has signified the turning point in the character of the great-power competition in the twenty-first

century. What seemed to be a conflict of imbalances in trade and market access quickly turned into a wider-ranging strategic conflict, in which tariffs and investment restrictions and supply-chain controls took the form of state

power. This shift is indicative of a broader shift to geoeconomics, in which economic policies are strategically employed to meet geopolitical and strategic goals, or not necessarily financial benefits. (Luttwak, 1990; Blackwill and Harris, 2016). The trade war between the US and China took place in two stages. In 2018-2020 the initial round (first phase) was marked by massive, two-way escalation of tariffs on hundreds of billions of dollars of bilateral trade. All of these actions disrupted the value chains of the world, decreased the volume of trade in the short-term, and increased the uncertainty in the international markets (Bown, 2020). The second, taking place after 2020, was an indication of the change of a confrontational approach to tariffs and a more calculated approach to selective decoupling, de-risking and diversifying supply-chains, especially in relation to critical technologies and strategic sectors. This stage entrenched even more competition within the framework of global trade governance, although the economies remained interdependent.

Although most studies have concentrated on the trade war in the context of US-China relations, the secondary impact on the third countries has gotten a relatively low level of systematic analysis. Geoeconomically, these spillover effects are not accidental but inherent in great-power rivalry because the redistribution of opportunities and vulnerabilities in the international system through changes in trade and investment flows is a natural occurrence. Those countries whose industrial power and strategic orientation is adequate can enjoy the gain of trade diversion, but others can be severely dependent or marginalized.

India and Pakistan are two examples of middle and minor economies reacting differently to geoeconomic shocks that major-power rivalry causes in South Asia. With a diversified export base, growing manufacturing and services industries, India has gained a growing prominence as a substitute source of production and sourcing in US-led realignment of supply-chain. As a result, the US-India trade grew by far in 2018 and the trade deficit of the United States with India increased, meaning that India absorbed partially the trade and investment flows moved outside of China. By contrast, Pakistan started the era of

trade-war with a simple export base, sensitivity to industrial modernization and an increasing dependence on Chinese imports and investment, especially within the China-Pakistan Economic Corridor (CPEC). This meant that the benefits of trade diversion in Pakistan were still small, and its trade imbalance with China had increased.

This paper proposes that the US-China trade war has served as a the geoeconomic sorting mechanism and reallocated benefits in a manner that propagated hierarchical differentiation among developing economies as opposed to creating equal opportunities. The comparison of the experience of India and Pakistan in two stages of the trade war reveals that the result is not as dependent on the distance to great-power rivalry but quite on the domestic productive power, export diversification as well as strategic positioning in global value chains. In this way, the article adds to the existing stock of knowledge on geoeconomics by demonstrating how great-power rivalry reorganizes regional economic regimes and re-characterizes the strategic landscape of Asia outside of the US-China dyad.

Research Questions

1. What has been the US-China trade war that has changed the geoeconomic landscape of South Asia and what have been the dissimilar impacts on the trade performances and strategic decisions of Pakistan and India?
2. What are the geoeconomic consequences of the United States imposing further tariffs on Indian exports and how have such actions changed India in terms of its position in global and regional value chains?
3. To what degree do asymmetrically placed South Asian states, Pakistan and India, react to great-power trade war and to what degree do neo-mercantilist principles and power-politics restrict their fiscal independence and policy latitudes?

Hypothesis

The US-China trade war, which has been supported by the adoption of further tariffs up to 50 percent on Indian exports, has created asymmetric geoeconomic effects on South Asia at the cost of reducing Indian competitiveness in

exports and independence in its policies, and at the same time, increasing structural economic dependence and strategic vulnerability among Pakistan.

Theoretical Framework

Goeconomics, Power Politics, and Secondary States in the US-China Trade War

Goeconomics offers the theoretical critical insight of the trade war between the USA and China as the manifestation of power politics carried out not with open military conflict but based on economic terms. Fundamentally, the concept of goeconomics is associated with the active use of economic policies to support the geopolitical goals through strategic placement of economic tools, which include tariffs, trade limitations, investment controls, sanctions, and controls over supply chains. Goeconomic approaches disagree with liberal economic theories, which formulate the concept of trade as a win-win and nonviolent phenomenon by underlining the asymmetry of trade, coercion, and strategic intent vested in global economic relations. The classic expression of goeconomics formulation is by Edward Luttwak (1990). He states that goeconomics is the replacement of military logic with economic tools in the post-Cold War environment, and that the techniques of commerce are indeed replacing the classic battlefield tactics. Trade wars, industrial policy and restrictions to market access are in this paradigm seen as instruments of rivalry and the states are pursuing relative gains, not absolute improvements in welfare. An example of this change has been the US-China trade war where the two powers have used both tariffs, technology protection, and investment barriers to limit the strategic ability of each to act in the long-term instead of simply righting the trade imbalance. Basing their argument on this, Blackwill and Harris define goeconomics as the intentional manipulation of economic flows to generate political and strategic consequences, especially in an order in which the immediate military confrontation between hegemonic powers would be cost-prohibitively expensive. In this sense, the policy of the economy is a continuation of

national security policy. Tariffs, export restrictions of the high-technology equipment, and restrictions on Chinese companies by the United States are a manifestation of the desire to maintain the technological and strategic independence, and Chinese actions and diversification policies serve to minimize the risk of pressure and remain at the top of the global political economy.

The goeconomic aspect of US-China trade war is also consistent with the realist theories of power politics, especially, the idea of asymmetric interdependence. According to Farrell and Newman, the states positioned at the core of the global financial, trade, and technological web can use interdependence to manipulate others. In this respect, the US bargaining over the dollar-based financial system, high-level semiconductors and worldwide supply chains has enabled it to charge China disproportionately. On the other hand, China has tried to offset this weakness through intensified alternative trade relations, regional economic integration and enhanced the strategic alliances. To a secondary state like Pakistan and India, the US-China trade war is not only an external shock value but a goeconomic restructuring of the global environment. Comparatively, these states are acting within the parameters defined by the great-power competition and at the same time aiming at the economic and strategic benefits possibilities. The increasing Indo-US integration is indicative of a goeconomic calculation that is to gain advantage of supply-chain reconfiguration, more market access, and strategic assistance in the Indo-Pacific structure. In contrast, Pakistan, through its strategic and financial relationship with China, especially within the China-Pakistan Economic Corridor (CPEC) has made use of the vulnerabilities due to the trade diversion and globalized production networks to balance itself. In such a way, goeconomics will allow conducting an integrated analysis of the distribution of power within the international system and the restructuring of the strategic decisions of the middle and smaller powers as the result of the US-China trade war. Instead of being passive actors, Pakistan and India turn out to be adaptive states playing the game of great-power rivalry by mending

the fences of selective alignment, economic diplomacy and strategic hedging. This framework puts the trade war in the context not of a single economic conflict but in the context of a bigger fight involving power, dominance, and superiority in the changing world order.

Coercive and Productive Dimensions of Geoeconomics

Coercive and productive geoeconomics are becoming separated in modern literature. Coercive geoeconomics is defined as a set of punitive strikes in the form of tariffs, sanctions, export restrictions and financial restrictions that are used to make adjustments to the behavior of the enemy states by adding an additional economic cost. A case in point is the first phase of the trade war between the US and China (2018-2020), when both countries have employed the use of tariffs to poke a finger in the chest and show that they are not so easy to move around. In its turn, productive geoeconomics is interested in the efficient reorganization of production networks, investment flows, and technological ecosystems to make them more stable over the long-term and less susceptible. The policies that enable diversification of the supply chain, friend-shoring and self-reliance in technology are in this category. This shift is evident in the second phase of the trade war between the US and China where the US is paying more attention to de-risking its major sectors, rather than overall tariff increases.

In as much as the preliminary liberal theories have viewed economic interdependence as a barrier to conflicts, geoeconomic theories accuse that even interdependence can be applied as a weapon. Farrell and Newman (2019) opine those states, which are positioned at the center of the global economic structures, can take advantage of the asymmetries by coercing others. This observation is significant in clarifying the fact that this US-China trade war did not disintegrate bilateral trade but resettled victims and beneficiaries in the international economy. The spillovers of trade wars are not evenly distributed and this is associated with geoeconomic perspective of trade wars. Instead, they generate ranked outcomes in favor of those states that are industrial, diversified

with regard to exports, and institutionally gifted to take in the redistributed trade and investment. Conversely, when it comes to low-export base and low-technological modernization countries, dependency reinforcement rather than the expansion of opportunities is likely to occur (United Nations Conference on Trade and Development).

Analytical Application to India and Pakistan

As can be articulated, one can explain the various impacts of US-China trade war on India and Pakistan in terms of a geoeconomic framework. The increased manufacturing industry of India and its export-based services and accords with the US was a beneficiary of trade diversion and restructuring of the supply-chain. Being a nation, which already had a strategic partnership with China and a significant investment in infrastructure into the model of China-Pakistan Economic Corridor (CPEC), Pakistan lacked the productive nature to convert the geoeconomic turmoil into the benefits of exports. Consequently, the geoeconomic concept of trade wars including its relationships with China is taking the form of not only equalizing trade disparities, but also reproduction and resettlement of the relationship of power between the members of the international system. Contrary to the liberal ideology that trade wars bring losses to both countries, geoeconomic literature notes that in most instances, such wars redistribute power asymmetrically in favor of those states that hold structural advantages in the production, finance and institutional control.

In this regard the US-China trade war is a struggle of upper hand position and not monetary reward. As the center of the world trade, finance, and technology, the United States used the power of its structures to limit the rise of China and maintain its leading role in the world economy system. Export controls, tariffs, and investment screening were not only used as a bargaining tool but as tools of hierarchy, to prevent China to rise to higher levels in high value parts of global value chains. The reaction of China demonstrates the way of the ascending powers to overcome geoeconomic hierarchies. Instead of becoming

disconnected with the global economy, China sought to implement policies that would allow it to manage hierarchy, such as the market diversification, technological self-sufficiency, and expansion of its geoeconomy, such as the Belt and Road Initiative (BRI). In this light, BRI and by proxy CPEC may be analyzed as efforts to redefine the peripheral economic relations and minimize the exposure of China to the economic networks centered on the US, thus challenging the hierarchical limitations presented by the trade war.

Research Methodology

The paper adopts a comparison, qualitative-descriptive research design to determine the dissimilar effect that the US-China trade war had on India and Pakistan. The study is concerned with the mediating role of structural, strategic, and institutional factors on the impact of an exogenous geoeconomic shock.

Data and Sources: The sources of secondary data were credible, such as the United Nations Conference on Trade and Development (UNCTAD, 2021), the Office of the United States Trade Representative (USTR), national trade statistics, and other peer-reviewed sources. The data on trade between 2016 and 2024 was used so that the changes during the pre- and post-trade war could be observed.

Analytical Framework and Variables: The study applies the **Geoeconomic Spillover Capacity Model**, in which:

- **Independent Variable:** US-China trade war intensity (tariffs, trade restrictions, supply-chain disruption)
- **Dependent Variable:** Export outcomes to the United States

Data Analysis: The paper uses the descriptive trend study and comparative interpretation. Indian and Pakistani export trends were picturized and compared with the level of trade war. Trends which were observed were put within the context of the mediating variables and this meant that they could be able to assess the reason why India had

been a better beneficiary than Pakistan. The use of triangulation of two or more sources provides reliability and validity of results.

Scope and Limitations: The period of the research is 2016-2024, and the case-study countries are two. Although the analysis itself is not econometric as it is descriptively based, it offers strong results of the effect of asymmetric trade wars and structural pre-determinants of geoeconomic performance.

Geoeconomic Analysis: Trade War Effects and Regional Reallocation (2001–2024)

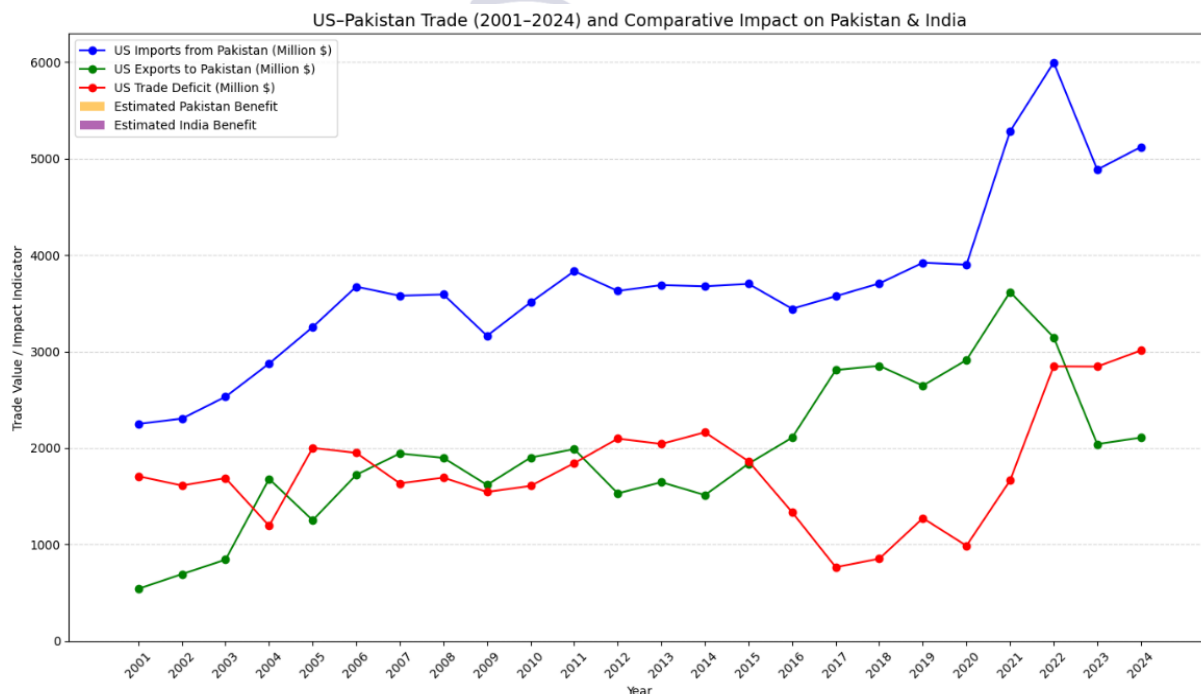
The empirical data of trade relations between the United States and China, India, and Pakistan shows unique trends in terms of trade relations, especially after initiating the US-China trade and tariff war in 2018. However, before 2018, the US-China trade was growing at an alarming rate as imports grew to more than 505 billion US dollars in 2017, a growth of more than four times since 2001, as the US incurred a trade deficit. This trend is an indication of the increasing economic interdependence since China joined World Trade Organization. Nevertheless, structure did break with the introduction of tariffs in 2018. US imports of China have reached their highest point of 538.5 billion in 2018 and dropped significantly in the following years to 449.1 billion in 2019 and fluctuating downwards thereafter. In spite of the fact, that bilateral trade was partially recovered after COVID-19 shock, the import level in 2024 was lower than the trend of the pre-trade-war period. This trend shows how tariffs appeared as geoeconomic tools to change the trade dependency instead of destroying bilateral trade completely.

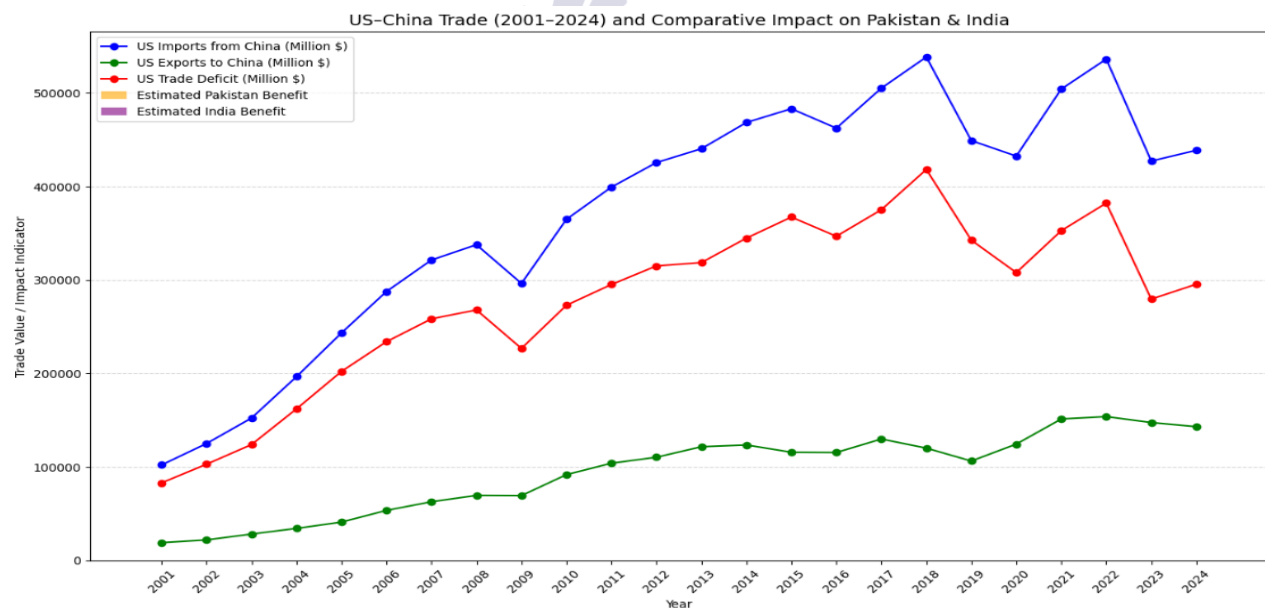
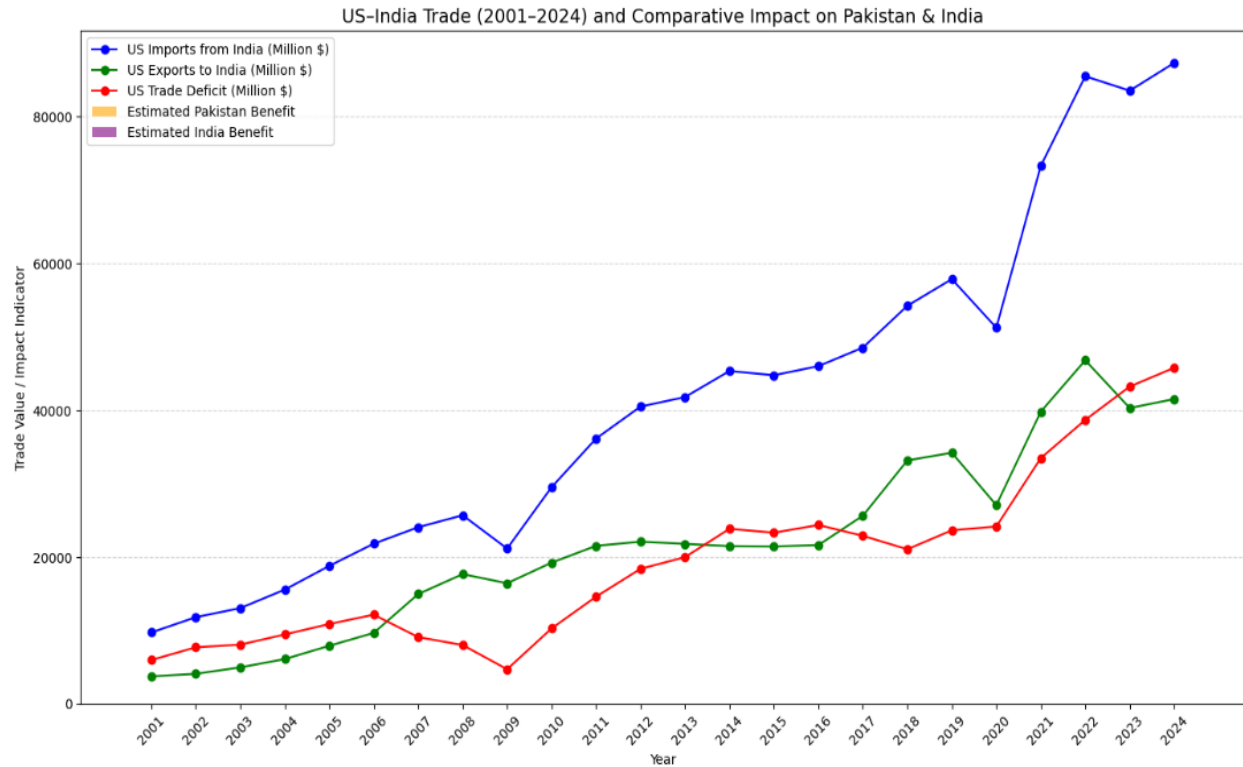
However, the US trade with India is not heading in that direction and, in fact, has a very different behavior since 2018. The imports of the US in India grew in regards to 2018; the US imports have risen by 54.2 billion up to 87.3 billion in 2018 and 2024 respectively, whereas the exports have risen by 33.2 billion to more than 41.5 billion in the same years. It is an expansion that implies partially diverted trade and increased strategic-economic convergence between the United States and India along with the

geoeconomic anticipations that congruent partners would reconfigure their supply chains during great-power competition. In the case of US-Pakistan trade, there is a weak structural change. Even though the overall trade grew by small percentage with time, the volumes were low compared to China and India. The statistics made after 2018 do not show a major growth in the access of Pakistan to the US markets. The balance of trade was instead in a consistently negative position, which would indicate the limited position of Pakistan in the remodeled geoeconomic environment. Combined, the data helps with the point that the US-China trade war transformed the trade flows not symmetrical but asymmetrical. Although in China trade had been partially constricted and India had been a relative beneficiary, Pakistan had been marginalized and thus the redistribution of opportunities unevenly across secondary states highlights geoeconomic power politics.

Geoeconomic Analysis: Trade War Effects and Reallocation (2001–2024)

The current empirical data on trade between the US and China, India, and Pakistan shows that the US now has specific patterns of trade relations with these countries, especially since the initiation of the trade and tariff war between the two countries in 2018. Until 2018 the US-China trade grew at a high rate where imports in the country have increased to more than 505 billion dollars in 2017 compared to just about 102 billion dollars in 2001 and at the same time the trade deficit has also been increasing. This trend is an indicator of the intensification of economic interdependence after China joined the World Trade Organization. But with the tariffs that were implemented in 2018, it became structural. The US imports in China reached a high of \$538.5 billion in 2018 and dropped dramatically in the years that followed to 449.1 billion in 2019 and has been fluctuating since. Despite the recovery of bilateral trade partially following the COVID-19 shock, the levels of importation in 2024 were lower than the trend was before the trade war. Such trend suggests that tariffs were geoeconomic tools that were intended to change the dependence in trade and not to destroy the bilateral exchange.





On the contrary, US trading with India shows a significantly different pattern after 2018. US imports in India grew by 87.3 billion dollars compared to 54.2 billion in 2018, whereas the exports went up by more than 41.5 billion to 33.2 billion during the same years. This growth implies some diversion of trade and increasing strategic-

economic convergence between the United States and India, which is regular with geoeconomic anticipations that congruent partners gain advantages of supply-chain restructuring in the context of great-power competition. US-Pakistan trade on the other hand does not show much structural change. Despite the fact that there was a

modest growth in total trade with time, volumes were low compared to China and India. The data available after 2018 does not reflect a sign of a substantial increase in the access of Pakistan in US markets. Rather, the balance of trade was constantly negative, which was indicative of a limited position of Pakistan in the reconfigured geo-economic environment. Combined, the data sustain the position that the US-China trade war transformed a change in trade flows in an asymmetric manner and not a uniform one. Although China had partial contraction of trade and India was the relative winner, Pakistan was left on the periphery, highlighting the role of geo-economic power politics in distributing opportunities unequally across the secondary states.

Empirical Overview of the US-China Trade War: Phase I and Phase II

The US-China trade war is one of the highlight events of modern geo-economic rivalry whereby tariffs and trade limitations were used as tools of strategic rivalry. The conflict was carried out empirically in two phases. Phase I (2018-2020) was characterized by tariff increase and instantaneous freezing of the global trade flows whereas Phase II (2024) switched to the concept of controlled competition with tariffs left intact but focus

shifted to supply-chain security, technology controls, and selective de-risking. The empirical foundation of this two-phase framework offers the analysis of the restructuring of the global trade patterns and redistribution of geo-economic outcomes that the trade war reorganized.

In this part, a clarification is made on the magnitude and order of tariff escalation, how the interdependence of economies may persist amidst strategic competition and how the structural geo-economic rivalry may move towards coercive tariffs. It also shows how these dynamics transformed the trade flows, supply chains, gains and losses distribution within the international system.

US-China Trade War Tariff Escalation (2018–2025)

This part provides a factual summary of the tariff increase between the United States and China between 2018 and 2025. The table outlines some of the main stages, tariff rates, and the magnitude of coverage in bilateral trade. It describes the development of tariffs as a first step to punitive ones and the transformation of the latter into a permanent tool of competitive strategic struggle, which shapes trade flows and strengthens the geo-economic nature of the conflict.

Year / Phase	US Tariffs on Chinese Imports	Coverage (Approx.)	China's Retaliatory Tariffs on US Goods	Strategic Character
2018 (Phase I begins)	25% tariffs on \$50B Chinese goods (Section 301)	Industrial goods, machinery, tech inputs	25% tariffs on \$50B US goods	Opening coercive tariff confrontation
Late 2018	10% tariffs on additional \$200B, later raised to 25% (2019)	Consumer goods, intermediate inputs	5–25% tariffs on \$60B US exports	Full tariff escalation; supply-chain disruption
2019 Peak Escalation	Tariffs applied to ~\$360B Chinese exports	Broad coverage incl. manufacturing & electronics	Tariffs on ~\$110B US exports	Maximum pressure phase; trade contraction
2020 (Phase One Agreement)	Most tariffs remain (avg. ~19–21%)	No full rollback	China maintains tariffs but commits to purchases	Managed competition replaces escalation

Year / Phase	US Tariffs on Chinese Imports	Coverage (Approx.)	China's Retaliatory Tariffs on US Goods	Strategic Character
2021–2022	Tariffs largely unchanged (~ 19%)	Strategic sectors prioritized	China maintains retaliatory structure	Shift from tariffs → tech & supply-chain controls
2023	Selective tariff exclusions but core tariffs intact	Continued pressure on strategic industries	Countermeasures maintained	Institutionalized geoeconomic rivalry
2024	Average US tariff on Chinese goods still ~ 19%	High-tech, EVs, semiconductors, strategic goods	China uses export controls & selective tariffs	Tariffs + techno-economic containment
2025 (Renewed escalation phase)	Tariffs increased in some sectors up to 25–50% (targeted strategic goods)	Advanced manufacturing, green tech, strategic inputs	China responds with tariffs + rare-earth export controls	Trade War 2.0 – structural geoeconomic competition

Phase I (2018–2020): Tariff Escalation and Disruptive Adjustment

The US-China trade war began with the United States imposing tariffs on a wide scope of Chinese products in 2018 under Section 301 of the Trade Act due to unfair trade practices, intellectual property theft and trade imbalances. As of 2019, over USD 360 billion of Chinese exports are subject to US tariffs, and China had retaliated with tariffs on more or less USD 110 billion of US exports. This stage was an example of coercive geoeconomics where tariffs were used as forms of pressure and not revenue collection. Phase I gave a sharp contraction in bilateral trade flows, empirically. In the year 2019, the US imports in China significantly declined following almost 20 years of consecutive growth and Chinese imports of US agricultural and industrial goods declined. Nonetheless, all sectors were not affected equally, with low-value and work-intensive manufacturing being the most severely affected, and strategic and high-technology sectors being comparatively unaffected, highlighting the constraints of coercion through tariff.

In the systemic level, Phase I has brought into the limelight the hierarchical nature of global trade networks. Companies reacted and diverted their production to third countries instead of completely exiting China, which led to a partial trade diversion to other exporters especially in Asia. This time was these countries who were well

placed to receive the redirected trade; it became a time of opportunities; and was a time of adjustment costs to no compensatory benefits exposing the relative abilities of states to overcome geoeconomic shocks.

Phase II (Post-2020): Managed Competition and Strategic De-Risking

The tariff escalation was officially to cease with the signing of the "Phase One Agreement" at the beginning of 2020 at the cost of strategic rivalry, however. The phase II was managed geoeconomic rivalry: tariffs were not abolished but were given a new focus, with the emphasis being on the resilience of supply chain, export controls, screening of investments and containment of technology. The outbreak of the COVID-19 pandemic also made global supply chains more vulnerable, which strengthens the strategic reasoning of de-risking. Recent empirical data (since 2021) indicates that the volumes of US-China trade recovered, especially in areas of consumer goods, intermediate inputs, and needed production. In spite of the political rhetoric on decoupling, bilateral trade rose to unprecedented levels in nominal terms as of 2022, and it demonstrates that economic interdependence continued even in the context of increasing strategic mistrust. It is the logic of geoeconomic competition showing itself and as such the selective restructuring of dependency and leverage

in a hierarchical global system is neither complete disengagement by any means. There was also more organized trade diversion in phase II. The United States was going out of its way to diversify towards politically compliant or strategically acceptable partners, whereas China was increasing its trade,

investment, and infrastructure activities with the developing economies. As a result, competitive ordering escalated, the states were ranked as preferential partners, alternative suppliers or peripheral markets in competing geoeconomic domains.

Country	Avg. Imports (2001–2017)	Avg. Imports (2018–2024)	Avg. Exports (2001–2017)	Avg. Exports (2018–2024)	Direction of Change
China	High & rising (pre-2018)	Lower & volatile	Moderate growth	Slower growth	Trade contraction & rebalancing
India	Moderate	Rapid increase	Rising	Strong post-2018 rise	Trade diversion beneficiary
Pakistan	Low & stagnant	Slight increase	Low & volatile	No structural gain	Marginalized



Figure 1. Industrial Capacity (Manufacturing Value-Added as % of GDP), India and Pakistan

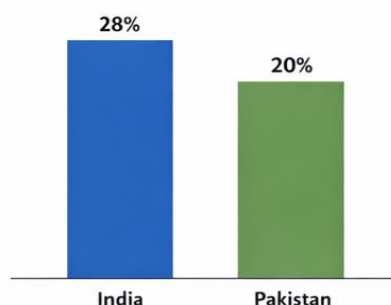


Figure 2. Global Economic Diversification Index (GEDI), India vs Pakistan (2024–25)

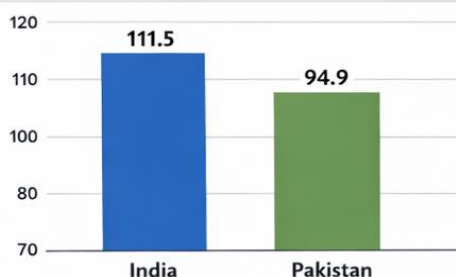


Figure 3. Export Market Concentration (Herfindahl-Hirschman Index), comparative estimates

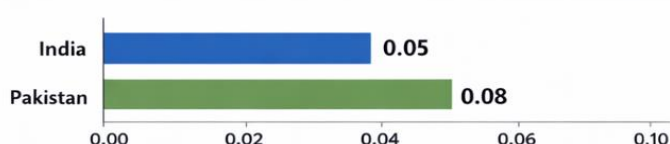


Figure 4. Export Structure by Category (% share of export composition)

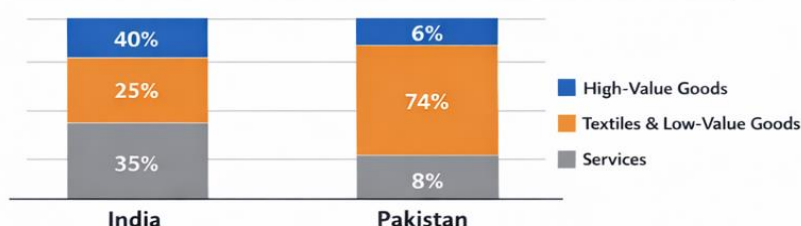
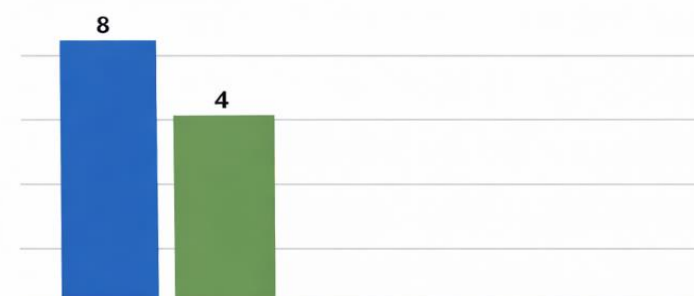


Figure 5. Institutional Readiness Scores (Composite Assessment)



Systemic Spillovers and Regional Differentiation
The empirical evidence shows that the trade war between the US and China produced asymmetric

spillovers in the international system. The advantages of the diversified export structures, institutional capacity and scalable production

were in a better position to absorb the redirected trade and investment, as compared to countries that had a high level of exposure to volatility with no significant upgrading prospects. This distinction was especially high in South Asia. The export level of India to the United States increased at a quicker pace after 2018 and this indicates the integration of India into alternative supply chains and intermediate grounds of the global trade hierarchy. The gains in trade diversion and increasing asymmetry in Pakistan trade relations with China as well as limited adaptive capacity were observed, which suited Pakistan poorly. Such trends confirm the position that trade wars should be viewed as hierarchical reallocation devices, but not as equalizing shocks.

Empirical Implications for the Study

The two-step empirical review introduces three essential patterns that can be used in the further analysis. To begin with, the rise of tariffs did not destroy, but interrupted the US-China economic interdependence. Second, the move towards strategic de-risking of institutionalized geoeconomic competition without structural rivalry being resolved. Third, gains and losses were shared in a hierarchical manner with the states being able to absorb reallocated economic activity being advantaged. These are the empirical tendencies that provide the main premise of the study: India became one of the partial winners in the trade war, but the results of Pakistan were restrained by the lack of productive potential and the absence of diversification of its exports.

Impact of the US-China Trade War on India: Trade Diversion and Geoeconomic Positioning India's Intermediate Position in the Global Trade Hierarchy

India had joined the US-China trade war somewhere in the middle of the world economic hierarchy, neither a major technological force nor an economic peripheral state. This structural location determined the results of India in the era of tariff increase. India is able to take selective trade and investment diversion off China without necessarily threatening US strategic preferences because of relative export diversification, a large

domestic market, and modest institutional capacity. Geoeconomically, this medium position lessened the vulnerability of India to coercion but made it more appealing as a secondary production and sourcing site in US-based economic interconnection. India had enjoyed a tempered growth of exports into the United States, not of large-scale production diversion, after US tariffs on Chinese goods, though not as much as previously. These advantages were still marginal but strategically important, as they strengthen the role of India as a second hub in redesigned global value chains as opposed to being a competitor to China. As anticipated by geoeconomics, the trade war brought about selective offshoring to the state that could satisfy regulatory, political, and logistical demands, as opposed to offshoring production networks in large block.

The benefits of India were further consolidated by strategic convergence with the United States in Phase II of the trade war, specifically in de-risking and friend-shoring models. Nevertheless, this integration brought about control, instead of decoupling. India remained dependent on Chinese intermediary supplies as it increased exports to the US, and this was a practical dual-engagement policy in a hierarchical system of the world. These benefits were not fully addressed in India although they were partially unequal. The capability in India to take in large-scale manufacturing relocation was constrained by structural factors such as infrastructure bottlenecks, labor market inflexibility and regulatory uncertainty. The reliance on Chinese intermediate products was limiting economic independence, highlighting the presence of new long-term asymmetries in the global production chains. In terms of power-hierarchy, the case of India shows that geoeconomic mobility is limited to incremental modernization of the old, as opposed to a radical change. On the whole, the US-China trade war was an opportunity structure of geoeconomic opportunity to India but not a transformational shock. Although India used the distortion brought by tariffs and strategic accommodation to improve its trade position by comparison with the United States, these benefits were conditional and industry-specific. This is in

sharp contrast with the situation in Pakistan, where the capacity of the industrial sector and the concentration of export, limited the ability to exploit trade diversion, which strengthens geoeconomic divergent pathways in South Asia.

Geoeconomic Implications for India: Regional Realignments and the Bay of Bengal

The trade war between the US and China has produced second-order geoeconomic impacts in the form of regional realignments in South Asia in addition to the trade diversion effects. With the rise in the intensity of geoeconomic competition, China started focusing more on network-based influence along key geographically vital maritime and connectivity networks between South and Southeast Asia. The strengthening of economic relations with Pakistan and Bangladesh is an indication of a policy to centralize regional connectivity and logistics network which does not necessarily have to pass through the customary Indian influence across the Bay of Bengal and the northern Indian Ocean. The growing economic presence of China in Bangladesh specifically on infrastructure, energy, and port development as well as the institutionalization of CPEC in Pakistan is a geoeconomic strategy that focuses on networked regional presence, and not bilateral dominance. Such efforts reinforce China-based trade and logistic networks, slowly shifting regional flows to Chinese economic networks and making India less able to establish regional trade standards on its own.

On power-hierarchy side, such developments limit the ability of India to utilize the result of global trade gain in the US-China trade war to become a long-term regional leader. As trade reallocation and strategic alignment between India and United States has resulted in selective benefits, the regional counter-strategy of China being built on infrastructure finance, connectivity, and integration of partner-states has narrowed the geoeconomic maneuvering space of India without necessarily facing it head on. The Bay of Bengal, therefore, becomes not an India centric zone of influence, but a competitive sphere of geoeconomic space and a zone of connectivity regimes. In general, these dynamic highlights a

larger geoeconomic understanding: increasing the lead in global trade does not necessarily translate into regional hegemony when other superpowers use infrastructure and funding structures, as well as production systems, as a tool to exercise strategic power.

Geoeconomic Impact on Pakistan: Dependency, CPEC, and Constrained Adaptation

Pakistan's Structural Position in the Global Trade Hierarchy

Pakistan had to be structurally below the US-China trade war in the global trade hierarchy, which featured concentration of exports, low industrial diversification and dependence on capital inflows. Compared to India, Pakistan had no manufacturing depth, regulatory abilities and institutional resilience to take trade diversion caused by the increase of tariffs between United States and China. Therefore, this trade war failed to create any significant opportunities to Pakistan in terms of updating its export profile or becoming a part of the restructured global value chain. Geoeconomically, Pakistan was vulnerable because it had a small export base, which was characterized by low value-added textiles and primary commodities. This organizational bottleneck restricted the possibility of strategic adaptation in Pakistan, which strengthened dependency instead of building leverage in the new order of trade and investment flows.

US-Pakistan Trade Relations in the Post-CPEC Period

However, instead of growing US-China trade war growing to an extent where Pakistan would benefit by growing its exports to the United States, empirical trends show that only marginal benefits are achieved. The exports of Pakistan continued to be in the fields of textiles and apparel with little diversification in the fields of higher values. Pakistan is not subjected to a remarkable trade diversion as India or Vietnam; this is an indication of not only supply-side constraints but also less integration into US-centred supply chains. Besides, the strategic and economic closeness between Pakistan and China minimized its competitive position under the US de-risking

strategies as an alternative sourcing destination. Hierarchically, Pakistan was viewed as less of an alternative manufacturing center but rather as a peripheral member in the Chinese geoeconomic network and this limitation limited its capacity to take advantage of trade war-inflicted realignments.

CPEC and the Logic of Asymmetric Interdependence

China-Pakistan Economic Corridor (CPEC) is the most crucial geoeconomic phenomenon in terms of which Pakistan will react to the trade war. Although CPEC helped Pakistan in improving its infrastructure, connectivity and visibly in terms of its strategic location, it did not help Pakistan fundamentally change its role within the global value chains. Rather, CPEC entrenched the inclusion of Pakistan into China-based production and logistics chains, and strengthened asymmetric interdependence, as opposed to forming independent capacity. In Chinese view CPEC has several geoeconomic agendas; finding alternative trade routes, extending its influence to the region, and stabilizing its western periphery. In the case of Pakistan though the corridor has not brought about a substantial amount of export diversification or scale level industrialization. Among the main methods of trade growth with China, it is the imports of machinery, energy equipment, and intermediate goods, which led to the development of a growing bilateral trade imbalance.

Trade War Spillovers and Missed Opportunities

The trade war between the US and China further escalated reconfiguration of supply-chain globally, and Pakistan was, in most cases, not included in the process. Lack of industrial preparedness, energy, and regulatory bottlenecks decreased the capability of Pakistan to receive more companies that were relocating. Although CPEC-related Special Economic Zones showed slow rates of transition to export-oriented production even during the trade war era. This performance demonstrates one of the major geoeconomic lessons: the infrastructure does not create any upgrading without any correlated industrial policy and institutional reforms. The strategic value that Pakistan had to China rose in the trade war, but

this exposure did not result in greater bargaining power or geoeconomic independence.

Pakistan in China's Regional Geoeconomic Strategy

The role that Pakistan played in the overall regional strategy adopted by China on the trade war intensified in the post-2020 period phase. Pakistan became as important a partner alongside Bangladesh in the Chinese move to consolidate economic power in South Asia and the northern Indian Ocean. This tendency can be expressed by institutionalized trilateral cooperation between China, Pakistan, and Bangladesh in 2025, which will put Pakistan in the position of a geo-economic anchor, not a diversified trading hub. Although this alignment enhances the strategic relevance of Pakistan, it also makes it dependent. The growth of China in influencing the economic decisions of Pakistan is constraining the ability to make policy choices and exacerbating hierarchical asymmetries. Unlike the confined upward mobility in India, the case of Pakistan depicts containment of hierarchy in the global order of the economy.

Interim Assessment

In general, the trade war between the US and China was not a geoeconomic upgrading driver to Pakistan. Rather it exacerbated structural limitations and increased asymmetrical interdependence with China. Although Pakistan was able to achieve a strategic terrain of being in the regional calculus of China, it did not manage to translate the systemic disruption into diversified trade benefits or economic independence. This is a sharp contrast to the case that happens in India and it indicates the significance of structural position in influences of trade war spillovers.

China: Strategic Adaptation and Regional Geoeconomic Ordering

Strategically, the US-China trade war has been the epicenter of a fundamentally geoeconomic battle between great powers where tariff wars, targeted retaliation, and intermittent negotiation have been the order of the day. Under the Trump administration long-term Trump First agenda of

America First 2.0, the United States proposed new increased tariffs on Chinese imports in 2025-pushing average applied tariff rates significantly higher than in the initial 2018-2019 dispute, with no indication of additional levies on a wide variety of products. China has responded to this by taking a more multidimensional strategy of economic counterstrategy, both with tariff retaliation, and non-tariff actions such as export controls on critical materials and expanded lists of restricted entities. These dynamics demonstrate that the trade war can best be interpreted as trade war 2.0 is structural competition in the form of tariffs, restrictions on strategic inputs and extensive contestation of supply-chains that extends far beyond bilateral goods flows into the global economy.

The adaptive response to such escalating pressures by China is indicative of a two-pronged policy of geoeconomic resiliency and regional network integration. Instead of using a straightforward tit-for-tat approach of retaliating through tariffs, Beijing has used export restrictions on rare earths and key technologies as a means by which it can exploit its natural resources supremacy and integration of its industry. At the same time, towards the end of 2025 and the early months of 2026, China has passed a reformed version of the Foreign Trade Law that was aimed at increasing its ability to deal with trade-related conflicts, expand its access to foreign markets, and institutionalize countermeasures, as a sign that Beijing will become more powerful in its legal and policy instruments against external threats to its economy. This legislative change highlights that China is aware that there needs to be structural domestic adjustment along with international posturing to have lasting tariff competition. Simultaneously, regular diplomatic contacts have already resulted in temporary de-escalation periods, including a mutual tariff cut agreement in mid-2025 that reduced peak tariff rates on either side and provided a temporary respite of the increased encumbrance of duties. Such moments,

though, have not sorted out the latent strategic rivalry, which persists in including technology restrictions, policy of critical minerals, and competition of industrial policy. The dynamics taken together suggest that China has shifted its payoff in terms of how to deal with hierarchical competition, to continue with its industrial and technological rise and overcome trans-systemic pressures of the United States and its partners. Locally, geographical adjustment of China has included strengthening of economical networks by launching projects like the Belt and Road Initiative (BRI) and China-Pakistan Economic Corridor. These networks instantiate the state of partners in China-oriented connectivity and productions systems and make geopolitical shocks less damaging and other geoeconomic ordering more competitive with the US-based frameworks. China is developing trans-regional supply chains through investment in ports, infrastructure, and logistics in South and Southeast Asia to maintain its economic impact, compensating aspects of the disruptive impact of US tariff pressures. This gap can be seen through the relative experiences of India and Pakistan: the intermediate benefits in India of confusion of trade on the tariff regime have not been converted into deep regional advantage, but in Pakistan structural adjustment to China indicates incorporation into a more elaborate Chinese networked geoeconomic order. Here, the strategic adaptation of China has a wider lesson in geoeconomic competition today: to exert long-term effects, it is not only necessary to implement tariffs or even short-term agreements, but to develop interlinked production and connectivity regimes, which can provide stability in the context of systemic confrontation. As the campaign of tariff variability persists to define relations of global trade up to 2025 and possibly beyond, the focus on legal reform, export controls, and strategic network-building in China implies a pragmatic attempt to maintain autonomy and influence in an increasingly competitive global trade system.

Comparative Goeconomic Impact of the US-China Trade War on India and Pakistan

Dimension	India	Pakistan
Position in global trade hierarchy	Intermediate power with diversified exports and services base	Lower-tier economy with export concentration
Trade diversion from China	Partial gains in manufacturing and services exports to the US	Minimal gains; textiles remained dominant
Integration into US supply chains	Increased credibility under friend-shoring and de-risking	Limited integration due to capacity and alignment constraints
Relationship with China	Competitive coexistence; selective dependence	Deepening asymmetric interdependence
Role in regional geoeconomics	Aspirant regional leader	Strategic anchor within China's regional network
Impact of trade war	Incremental upward mobility	Hierarchical entrenchment
Net goeconomic outcome	Relative gains with constraints	Strategic relevance without economic upgrading

Structural Hierarchy and Differential Capacity

The experiences of India and Pakistan are opposite to each other and it is seen in the fact that their structural standings do not match the position in the global economy. A diversified export base, well-developed services sector, and size of institutions also enabled India to absorb some amount of trade diversion as the trade war hit Phase I. In contrast, Pakistan did not have the productive potential to react to disruption brought by tariffs, which strengthens its status as peripheral. This deviation confirms the goeconomic thesis according to which trade was only benefit states that possess latent absorptive capacity as opposed to creating opportunities out of thin air.

Strategic Alignment and Goeconomic Sorting

Another key factor in the course of the Phase II of the trade war was strategic alignment. Convergence with the US in the Indo-Pacific, upgraded India in the US-centered economic networks and enabled some selective integration in reconfigured supply chains. The strong association of Pakistan with China, although increasing its strategic value, made it less appealing as a substitute production center in US de-risking policies. Therefore, the trade war was used as a sorting mechanism as benefits were concentrated to the states that were viewed as politically and

institutionally aligned with mainstream economic networks.

China's Counter-Strategy and Regional Reordering

The Indian-Pakistan break was further broadened due to the reaction of China. China strengthened the regional economic ties through CPEC and increased partnership with Bangladesh that made Pakistan a logistic and strategic ally instead of a competitive exporter. The institutionalization of the China-Pakistan-Bangladesh cooperation in 2025 highlights how Beijing focuses on the concept of networked hierarchy, restraining the power of India in the region and reinforcing the Chinese presence in the Bay of Bengal and the north Indian ocean. This posed a paradox to India since global trade benefits were at the expense of regional constraint. In the case of Pakistan, strategic centrality was augmented with no economic upgrading- indicating the constraints of dependency based goeconomic integration.

Comparative Assessment

The US-China trade war, therefore, generated different goeconomic paths. India had partial upward mobility-reaping selectively and being bound by structural and regional problems. Pakistan has been subject to hierarchical entrenchment- it has become strategically relevant

without becoming economically autonomous. These results indicate that trade wars are not leveling shocks but tools of re-imbursement at the hierarchies.

Analytical Contribution

This comparative analysis makes three main contributions:

1. It shows that conflicts in geoeconomy redistribute asymmetrical power, which supports hierarchy.
2. It depicts how the economic opportunity in times of trade wars is predetermined by strategic alignment.
3. It puts emphasis on South Asia as a second frontier which great-power competition is redefining regional order without necessarily facing each other.

Policy Implications and Strategic Options for Pakistan

1. Move from Corridor Logic to Production Logic

The geoeconomic strategy of Pakistan needs to change its overdependence on connectivity-based development into production-based integration. Although CPEC has enhanced infrastructure and logistics, its value will be determined in the long-term depending on whether Pakistan can produce exportable surplus due to the upgrading of its industries. Unless Special Economic Zones are integrated into the global value chains, infrastructures can be a source of strengthening the dependency of transit instead of enhancing economic change. Pakistan needs to put the emphasis on export-oriented production zones which are directly connected to regional and extra-regional markets, instead of regarding CPEC as a transport corridor.

2. Reduce Asymmetric Interdependence with China

Diplomatic and security benefits that come with strategic alignment with China are beneficial to Pakistan, yet runaway economic dependency curtails policy autonomy. A geoeconomic strategy demands that Pakistan must re-equate but do not sever its ties with China by bargaining more

market entry, technology and local value addition in CPEC related projects. Pakistan ought to aim at changing the status of the importer-consumer to that of co-producer in China-based supply chains especially light manufacturing, agro-processing, and intermediate goods.

3. Selective Re-engagement with the United States

The US-China trade conflict proved that the lack of involvement in US-focused supply-chain reconfigurations had the opportunity costs of Pakistan. An alternative approach that Pakistan might take instead of seeking a wider strategic realignment is to use sector-based engagement strategy with the United States, i.e., non-sensitive sectors such as textiles upgrading, pharmaceuticals, medical equipment and IT-enabled services. Instead of being signaled geopolitically, Pakistan must use geoeconomic pragmatism in its interactions with Washington so that it is able to diversify, albeit not too much, without compromising on its strategic alliances.

4. Utilize Regional Geoeconomics Beyond Binary Alignments

The growing presence of Pakistan in China-Pakistan-Bangladesh collaboration is a regional advantage, but this must be utilized to increase the economic space, which should not be restricted. The exposure of Pakistan to great-power rivalry might decrease and the resilience improved through the facilitation of regional trade, harmonization of standards and logistics cooperation in the South Asian region and the Bay of Bengal. Pakistan needs to establish itself as a regional connector economy, and not as a single node of the network of a single power.

5. Institutional Capacity as a Geoeconomic Asset

It is one of the most obvious lessons of the US-China trade war that the institutional ability defines who gains in the case of disruption. Geoeconomic assets are trade facilitation, regulatory predictability, energy reliability and customs efficiency, rather than administrative specifics. The geoeconomic strategy of Pakistan has to consider institutional reform as being as

strategic as diplomacy and infrastructure investment.

6. Develop a National Goeconomic Doctrine

It is one of the most obvious lessons of the US-China trade war that the institutional ability defines who gains in the case of disruption. Goeconomic assets are trade facilitation, regulatory predictability, energy reliability and customs efficiency, rather than administrative specifics. The goeconomic strategy of Pakistan has to consider institutional reform as being as strategic as diplomacy and infrastructure investment.

Synthesis

This trade war between the US and China showed the weaknesses of Pakistan as well as its strategic significance. The problem facing Pakistan is not being included in the global competition but a lowly inclusion. The answer to this situation is a planned transition between dependency-based engagement and selective diversification, institutional fortification, and production-based integration. To sustain itself in an era where there is ongoing goeconomic competition, the long-term stability of Pakistan will be less determined by the alignment decisions and more by its ability to transform its strategic relevance to economic potential.

Conclusion

The trade war between the USA and China is a crucial change in the logic of international economic relations, which marks the shift to the stage of goeconomic competition instead of liberal interdependence. Instead of resulting in economic disengagement, the trade war reorganized the world trade and investment patterns, where the opportunities shifted along the established lines of power balance. This paper has shown that the trade war was not a bilateral trade conflict but rather a process of rearranging the system, which had great implications on the third countries who occupied various positions on the economic hierarchy of the world. The comparative study undertaken between India and Pakistan shows the differentiated nature of goeconomic spillovers. The moderate status of India in the

international scale of trade as well as its diversified economy and its strategic relationship with the United States allowed India to receive selective benefits of trade diversion and supply-chain reshaping. These incentives were, nevertheless, limited and coupled with increasing regional limitations as China countered this by building power over South Asia and Bay of Bengal by establishing network-based economic relationships.

The situation in Pakistan is very different. Getting into the trade war in a structurally disadvantaged position, Pakistan did not have the depth of an industry and the institutional capacity to translate systemic disruption into economic upgrading. Although the strategic role of Pakistan in the regional goeconomic approach of China had grown, especially with CPEC and new trilateral collaboration with Bangladesh, the visibility did not result in greater economic independence. Rather the trade war intensified trends of asymmetric interdependence, which strengthened the subordinate status of Pakistan in changing goeconomic networks. These results highlight a key point of goeconomic theory, trade wars do not make competition equal, but make it more hierarchical. Latent absorptive capacity and strategic credibility among the states allows them to use disruption as the means of incremental progress, whereas structurally weaker economies may find it hard to get out of the trap even when they become more relevant strategically. The US-China trade war is therefore an example of the redistribution of power due to economic conflict not necessarily based on coercion, but based on how the choices offered to various states are structured.

In the regional perspective, the South Asian region is identified as the second field of great-power rivalry, where goeconomic policies redefine connectivity, flows of trade, and power without necessarily confronting each other. It is the adaptive reaction of China, which is based on regional infrastructure, production networks, and the ability to enter and exit the region, that has changed the goeconomic balance of the Bay of Bengal, making it harder to achieve India as the leader of the region and limiting the possibilities

of manoeuvre of Pakistan. In a wider context, the result indicates that the future of the global economic order will not be defined so much by formal decoupling, but by selective integration into competing geoeconomic spheres. With regards to middle and lower-end economies, strategic alignment will not be enough, what matters is the ability of the nations to transform connectivity into production and interdependence into leverage. The capacity of states such as India and Pakistan to move within hierarchy and not outside of it will define their economic and strategic futures as far as geoeconomic competition is concerned.

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