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Minerals Diplomacy Meets Market Reality

The Case of Pakistan

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Introduction

The world is facing a new foreign policy landscape—one in which critical minerals are becoming ever more central to economic statecraft. Washington is increasingly shaping partnerships not only around traditional geopolitical alignment but also around the scale, quality, and accessibility of countries' resource endowments. Within this evolving framework, Pakistan has emerged as an unexpected beneficiary. Despite long-standing challenges in Pakistan's investment climate and security posture, its untapped geological potential has drawn renewed attention as the United States seeks to diversify supply chains and reduce reliance on dominant producers.

The United States is at a critical juncture in its relationship with India and Pakistan, and deepening ties with one may risk alienating the other. India offers long-term strategic, economic, and geopolitical value. It is increasingly central to the United States' Indo-Pacific strategy as a democratic counterweight to China and could respond to closer U.S.-Pakistan cooperation by deepening its strategic autonomy, expanding defense and energy ties with Russia, and slowing cooperation in critical domains such as supply chains, technology, and defense industrial integration. This would weaken emerging frameworks like the I2U2 Group (India, Israel, the United Arab Emirates, and the United States) and the Quad (Australia, India, Japan, and the United States) and dilute U.S. efforts to build resilient economic corridors that offer an alternative to China. Notably, India was absent from the March 2026 Indo-Pacific Energy Security Ministerial and Business Forum, held in Japan.

At first glance, Pakistan appears to also be a compelling partner. The province of Balochistan holds some of the world's largest copper deposits, which are co-located with valuable gold deposits, and probable lithium and rare earth resources. Recent rifts in Pakistan's relationship with China have raised hopes of a strategic opening for Western-aligned supply chains. But a closer look reveals persistent

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challenges that largely negate the viability of deeper investment. Elevated security risks in Balochistan, significant Chinese infrastructure presence and influence, challenges within the judicial system, and an uneven record in upholding international investment commitments collectively raise concerns about Pakistan's ability to provide a consistent enabling environment for Western-aligned mining investment.

In fact, the United States and Pakistan have a long-standing but turbulent relationship that has historically centered around joint counterterrorism and regional security efforts. During the first Trump administration, U.S.-Pakistan relations were highly contentious. Trump suspended **$1.3 billion** in military aid to Pakistan in 2018 over frustration with its continued links to extremist and terrorist groups. Still, Pakistan played a crucial role in facilitating **U.S.-Taliban negotiations**, which resulted in the Doha Agreement in 2020 and the U.S. withdrawal from Afghanistan in 2021.

The second Trump administration has notably warmed to Pakistan, inviting Prime Minister Shehbaz Sharif and Field Marshal Asim Munir, chief of the country's defense forces, to the White House to discuss both regional security and a bilateral trade agreement encompassing tariffs, oil reserves, and critical minerals. Munir presented a wooden box with rare earth minerals to Trump in the Oval Office. Pakistan has fostered powerful relationships within the Trump orbit, including ongoing "**crypto diplomacy**" with Zachary Witkoff, the CEO of crypto platform World Liberty Financial, cofounded by the president's family. This crypto partnership has meaningfully deepened ties between Pakistan and the administration. The United States may continue to leverage this relationship, given Pakistan's mediation role in the U.S.-Iran conflict. While relations may be stable for now, political cycles are short, and history shows that tensions are likely to rise again, elevating risks for long-term U.S. investments.

> *A range of structural constraints limit Pakistan's capacity to serve as a strong economic partner to the United States.*

Nonetheless, critical minerals cooperation has emerged as a new facet of the U.S.-Pakistan relationship in recent years. In February 2026, Pakistan Minister of Energy Ali Pervaiz Malik joined Secretary of State Marco Rubio and 54 other foreign delegations at the Critical Minerals Ministerial to explore closer supply chain cooperation.

This paper examines Pakistan's geological potential, historical context, security environment, entanglement with China, and regulatory landscape to assess the viability of U.S. critical minerals investment. It finds that a range of structural constraints limit Pakistan's capacity to serve as a strong economic partner to the United States. As such, the paper outlines five recommendations to help create a more enabling environment for sustained, long-term U.S. investment.

Pakistan's Mining Landscape and Geological Potential

Pakistan's critical minerals industry is largely nascent, with Chinese companies controlling its few producing assets. Pakistan exports modest quantities of copper, antimony, barite, and fluorspar, and its mining sector comprises less than 0.1 percent of global mineral exports and accounts for only **3 percent** to Pakistan's GDP.

Chinese firms play a dominant role in the sector, holding stakes in four of Pakistan's six active critical minerals projects, including the larger of its two producing copper mines (Table 1). In 2024, Pakistan produced an estimated **24,000–46,000 metric tons** of copper, **nearly all** of which was shipped to China. While Chinese operations currently dominate copper production in the Balochistan region, the Reko Diq copper-gold mine is entering preproduction and has the potential to shift Pakistan's mining landscape.

Table 1: Ownership of Pakistan's Active Critical Mineral Assets

Mine	Primary Commodity	Country of Ownership	Mine Development Stage
Duddar	Lead/zinc	China	Producing
Koh-e-Daleel	Copper	China, Pakistan	Exploration
Muhammad Khel	Copper	Pakistan	Producing
Reko Diq	Copper	Canada, Pakistan	Preproduction
Saindak	Copper	China, Pakistan	Producing
Siadic	Copper	China	Feasibility

Note: Red rows indicate Chinese ownership.

Source: S&P Global; and Sophia Saifi and Ivan Watson, "The US wants these critical minerals, but militants with American weapons stand in the way," CNN, February 3, 2026, https://www.cnn.com/2026/02/03/asia/pakistan-us-afghanistan-weapons-intl-hnk-dst.

The Western-owned **Reko Diq mine** has been under development for over two decades but has yet to come into production. In 1993, Australian mining company BHP entered into an agreement with the Balochistan provincial government to allow exploration activities near the remote village of Reko Diq, where it discovered substantial copper and gold deposits. In 2006, the agreement changed hands to Tethyan Copper Company (TCC), a subsidiary of the Canadian company Barrick Gold, and Antofagasta Minerals, a Chilean mining company. Upon applying for a mining license in 2011, TCC was denied by the Pakistani government, triggering an eight-year legal dispute and international arbitration case that resulted in Pakistan owing **$5.8 billion** in damages for unlawful expropriation, equating to **2 percent** of the country's GDP. Unable to afford the settlement, Pakistan reached an agreement in 2022 for the provincial government of Balochistan to share ownership with Barrick Gold.

Reko Diq is estimated to contain **14.6 million tons** of copper. Upon its proposed opening in 2029, the mine will produce an estimated 200,000 tons of copper annually, eventually doubling to more than 400,000 tons in its second phase of development, which would place it in the world's top 10 copper mines by production volume. This significant resource has drawn interest and financing commitments from several foreign investors. Saudi Arabian mining company Manara Minerals considered acquiring a minority stake with a **$1 billion** investment in 2024 before **pulling out** in 2025. In August 2025, the **Asian Development Bank** approved a financing package comprising $300 million in senior loans to Reko Diq Mining Company (RDMC), which owns the mine, and a $110 million partial credit guarantee to cover the equity component of the government of Balochistan. Meanwhile, in October 2025, the **Japan Bank for International Cooperation** (JBIC) joined the Reko Diq lender group with a **$300 million**

loan commitment. Finally, in December 2025, the United States Export-Import Bank (EXIM) approved $1.25 billion in financing for copper and gold mining at Reko Diq.

Developing new high-grade copper mines will be critical for keeping up with rising copper demand due to the proliferation of AI data centers and electric grid infrastructure, especially as legacy copper mines face declining ore grades. Mines in Chile and Peru have long led global copper production, but low ore grades have complicated project economics and the long-term outlook for the copper industry in recent years. In just a decade, from 2003 to 2013, Chilean copper ore grades declined **29 percent** on average. Escondida, the largest copper mine in the world, today holds ore grades of 0.55 percent, a significant decline from grades of **nearly 3 percent** when the mine first began operations in 1991. In 2025, of the top 30 producing copper mines, only six reported copper ore grades over 1 percent, with the average ore grade at 0.96 percent (Table 2). Therefore, the United States and its allies will need more copper mines at a higher grade to meet future demand projections. Reko Diq contains competitive but not particularly high copper ore grades of 0.49 percent.

Table 2: Top-Producing Copper Mines with Ore Grades Above 1 Percent

Global Rank	Property Name	Country	Ore Grade	Production, 2024 (metric tons)
2	Grasberg	Indonesia	1.003%	460,396
4	Tenke Fungurume	DRC	2.850%	440,000
5	Kamoa-Kakula	DRC	3.910%	385,808
14	Polar Division	Russia	1.310%	292,000
27	Olympic Dam	Australia	1.754%	214,000
29	Kamoto	DRC	3.520%	188,700

Source: S&P Global.

While Reko Diq may not boast especially high copper ore grades, the porphyry deposit is co-located with attractive by-products, making it a valuable deposit. The mine contains nearly **37 million ounces** of gold reserves and resources, with ore grades at 0.27 percent, making it the 25th-largest gold mine in the world. As gold prices rose from just $2,000 per ounce in 2023 to over **$5,000 per ounce** in 2025, Reko Diq gained the potential to become a highly lucrative project for Western backers, if it can reach commercial operations.

In addition to valuable copper and gold deposits in Balochistan Province, Pakistan may still discover significant deposits of other minerals with further exploration. Islamabad has renewed resource mapping efforts and now values its metal and mineral resources at **$8 trillion**. Preliminary studies indicate significant deposits of lithium, nickel, uranium, zinc, and rare earth elements. The Balochistan region lies adjacent to Helmand Province in Afghanistan, assessed by the **U.S. Geological Survey** (USGS) to contain world-class deposits of lanthanum, cerium, and lithium. Given the geological similarities, valuable deposits likely lie on both sides of the border.

Altogether, Pakistan's mineral potential warrants international attention. However, few credible avenues exist for U.S.-Pakistan minerals cooperation. In September 2025, US Strategic Metals, a Missouri-based processing hub, signed an **agreement** with the Frontier Works Organization (FWO), the engineering branch of the Pakistan army, to generate $500 million in cash flow through the extraction and processing of antimony, copper, tungsten, and rare earths. The following month, Pakistan sent a small shipment of antimony, copper concentrate, and rare earths to the United States to signal its commitment. Still, it remains unclear where Pakistan's mineral shipments are originating, as the nation has no commercial production of antimony, tungsten, or rare earths. Furthermore, US Strategic Metals calls itself a "**near-term**" processor of critical minerals and has not yet commercially processed any materials. Absent credible production and established processing capacity, the agreement is not yet actionable, and it is unclear whether it will turn into tangible results in the near term.

Pakistan's Long-Standing but Complicated Relationship with the United States

Partnering with Pakistan to develop its mineral resources would require stabilizing a highly volatile bilateral relationship. The two nations have a long-standing partnership but also many points of contention—namely, relations with India—which make close collaboration challenging. Since Pakistan's independence in 1947, the nation has maintained a strategic but complicated partnership with the United States defined by military aid and counterterrorism efforts.

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At the onset of the Cold War, Washington provided substantial assistance to Pakistan as a counter to the Soviet Union's regional influence. In 1954, Pakistan formally aligned with the United States, joining the Southeast Asia Treaty Organization (SEATO) to contain the spread of communism. In return, Pakistan received nearly $2 billion from 1953 to 1961, including nearly $500 million in military assistance. When war broke out with India in 1965, the United States reversed course, withdrawing aid and imposing an arms embargo. Pakistan **left SEATO** in 1973, citing frustration with the organization's failure to assist Pakistan in its conflicts with India. In 1979, the relationship deteriorated further when the United States discovered Islamabad's nascent nuclear program under military dictator Muhammad Zia-ul-Haq. General Zia came to power in Pakistan by military coup, overthrowing the first popularly elected civilian prime minister, **Zulfikar Ali Bhutto**, in 1977 and later **executing** him in 1979. During his rule, General Zia funded and emboldened radical groups to act as proxies, one of which sieged and set fire to the U.S. embassy, killing a 20-year-old U.S. marine.

However, the Soviet invasion of Afghanistan in 1979 brought the United States and Pakistan back into close alignment. Washington **provided** roughly $3 billion in economic aid and $2 billion in military aid to Pakistan during the 1980s. Pakistan became an important frontline partner against Soviet expansion, as the United States relied on Pakistan's airspace to monitor Soviet activity and on its military to train insurgents. Evidence then came to light that funds were misappropriated by the Inter-Services Intelligence (ISI) directorate, the espionage branch of the Pakistani army that openly supported the

Taliban. Relations deteriorated amid mistrust, and the United States again cut military aid after Pakistan started testing nuclear weapons in 1998.

After 9/11, the United States again turned to Pakistan as a key partner in the war on terror, extending military assistance packages valued at **$30 billion** to fight terrorism in the region. However, the United States later discovered that much of the aid was diverted to other military initiatives. Bilateral relations sank to new lows when U.S. forces discovered Osama bin Laden in refuge near a major Pakistani military academy and intelligence base, with Washington accusing Islamabad of giving the principal architect of 9/11 safe harbor. **Allegations emerged** that Pakistan had long been complicit with the militant and insurgent networks it had received financial compensation to thwart.

While relations may again be on the upswing given Pakistan's reported **intermediary role** in negotiating the two-week ceasefire between the United States and Iran, history suggests that periods of strategic cooperation do not always translate into long-term, stable partnerships. The United States should continue to find constructive avenues for cooperation with Pakistan without limiting the ability to work with other strategic partners, namely India.

Pakistan's Close Relations with China

Pakistan has practiced a strategic policy of nonalignment that allows it to reap the benefits of partnerships with the United States and the People's Republic of China (PRC). Today, Pakistan holds **significant trade relationships** with both powers, with China as its largest source of import value and the United States as the largest export destination for Pakistani goods. At times, Pakistan's position at the axis between China and the United States has been strategically advantageous to the United States. In 1971, Pakistan facilitated Henry Kissinger's **secret trip** to Beijing, which served as a back channel for diplomatic negotiations between the two nations. These negotiations underpinned President Richard Nixon's public visit to China the following year and China's eventual reopening to the global economy. However, as the competition between the United States and China intensifies, Pakistan's close relationship with China presents more challenges for U.S. investors than opportunities.

The China-Pakistan "**all-weather friendship**" spans infrastructure development, economic investment, technology transfer, and military assistance, as China views Pakistan as a critical counterbalance against India. China's military cooperation with Pakistan was forged in the Cold War era. When the United States imposed an arms embargo on Pakistan at the outbreak of the 1965 India-Pakistan War, China served as a **major arms supplier** for Pakistan, sending shipments of fighter aircraft, tanks, small arms, and ammunition. At the time, China's **military aid package** to Pakistan was the largest China had ever provided to a noncommunist state. China also provided technical assistance and training to integrate Chinese equipment into Pakistani forces.

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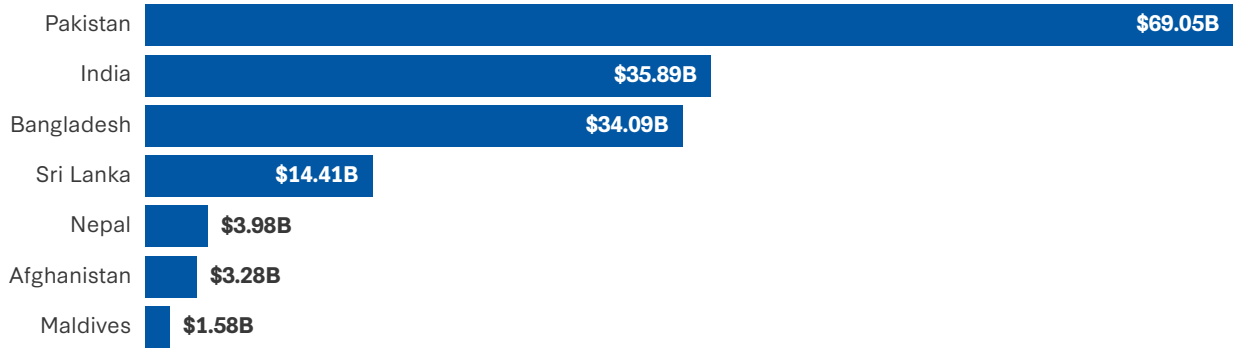
Beyond traditional arms sales, China invested in Pakistan's domestic military-industrial complex to transfer equipment, technology, and manufacturing expertise to Pakistan throughout the 1980s and 1990s. China also spearheaded a joint venture between Pakistan's Heavy Industries Taxila and China North Industries Corporation to **build a production line** for manufacturing the Al Khalid main battle tank, as well as a ballistic missile manufacturing facility. Since the 1970s, China has provided **crucial support** to Pakistan's nuclear program. It helped build two reactors in Punjab Province and provided Pakistan with highly enriched uranium, ring magnets for uranium processing, and nuclear-capable M-11 missiles. By helping to arm Pakistan against India with a nuclear arsenal, China continues to fuel instability in the region.

China's partnership with Pakistan extends well beyond the realm of military aid to strategic infrastructure investments. Pakistan is one of the largest beneficiaries of China's Belt and Road Initiative (BRI). China's **$70 billion in investments** in Pakistan represent 42 percent of its investments in the entire South Asia region over the last 20 years. The region's flagship BRI project is the **China-Pakistan Economic Corridor** (CPEC), a 15-year, $62 billion initiative consisting of 122 announced infrastructure and energy projects that seek to transform Pakistan into a high-value manufacturing hub.

China has targeted the mineral-rich province of Balochistan, in particular, with key infrastructure projects funded by CPEC. Energy projects account for **60 percent** of announced CPEC funding in Balochistan, a key enabler of mining activities for a country facing energy deficits of up to **6,000 megawatts** during peak demand and frequent load shedding. China is also heavily investing in Balochistan's port city of Gwadar to transform the cluster of little-known fishing villages into a maritime hub. Through a new network of highways, railways, and oil pipelines, Pakistan will be directly connected to the western Chinese region of Xinjiang, a **major processing hub** within China with links to coercive labor practices involving the region's Uyghur population.

Figure 1: Chinese Investments in South Asia (USD, billions)



Source: "China Global Investment Tracker," American Enterprise Institute, https://www.aei.org/china-global-investment-tracker/.

China's investments have yielded early access to Pakistan's resources. China holds large ownership stakes in one of Pakistan's only two operating copper mines, a lead and zinc mine, and a copper smelter, as well as two other early-stage copper assets under exploration and feasibility studies. Pakistan is a **small copper producer**, producing only approximately 24,000 metric tons of ore and 20,000

metric tons of smelted copper in 2024—just 0.1 percent of global copper production. Nevertheless, China captures **95 percent** of Pakistan's exported copper ores and concentrates as well as **98 percent** of its exported copper mattes. It is unclear whether the United States can make meaningful headway into Balochistan given the level of Chinese saturation across the mining ecosystem—including in energy, transportation infrastructure, and extraction.

Still, rising tensions and points of friction between Pakistan and China may complicate further development of Pakistan's resource sector. Pakistan is heavily indebted to China for CPEC projects and is upset at the prospect of **Gwadar Port** being used as a Chinese military base. Provincial entities see Chinese mining as exploitative, as communities in remote mining regions suffer from pollution and are locked out of economic benefits. One **Pakistani government study** claims that China pays only about 50 percent of the global average cost for Pakistani copper ore. China, for its part, has complained about the **lack of security** afforded to Chinese miners in Pakistan, who have been the target of frequent terrorist attacks by insurgents resentful of Chinese resource exploitation.

Security Challenges and Ongoing Terrorism

Mining in Pakistan is complicated by the country's high-risk security landscape. Many of Pakistan's most valuable deposits are concentrated in Balochistan Province, bordered by Iran to the west and Afghanistan to the north, leaving it uniquely exposed to cross-border political violence. Balochistan also faces threats from domestic insurgents. The **Baloch Liberation Army** (BLA), a secular terrorist group seeking political autonomy for the province, regularly targets foreign investments within Balochistan. The region's mineral wealth has also exacerbated security issues, as illegal mineral extraction and smuggling from Taliban-controlled mines has helped to finance terrorism and extremism in Afghanistan, with revenues estimated at **$15–$20 million** annually, contributing to the conflict on Pakistan's northern border.

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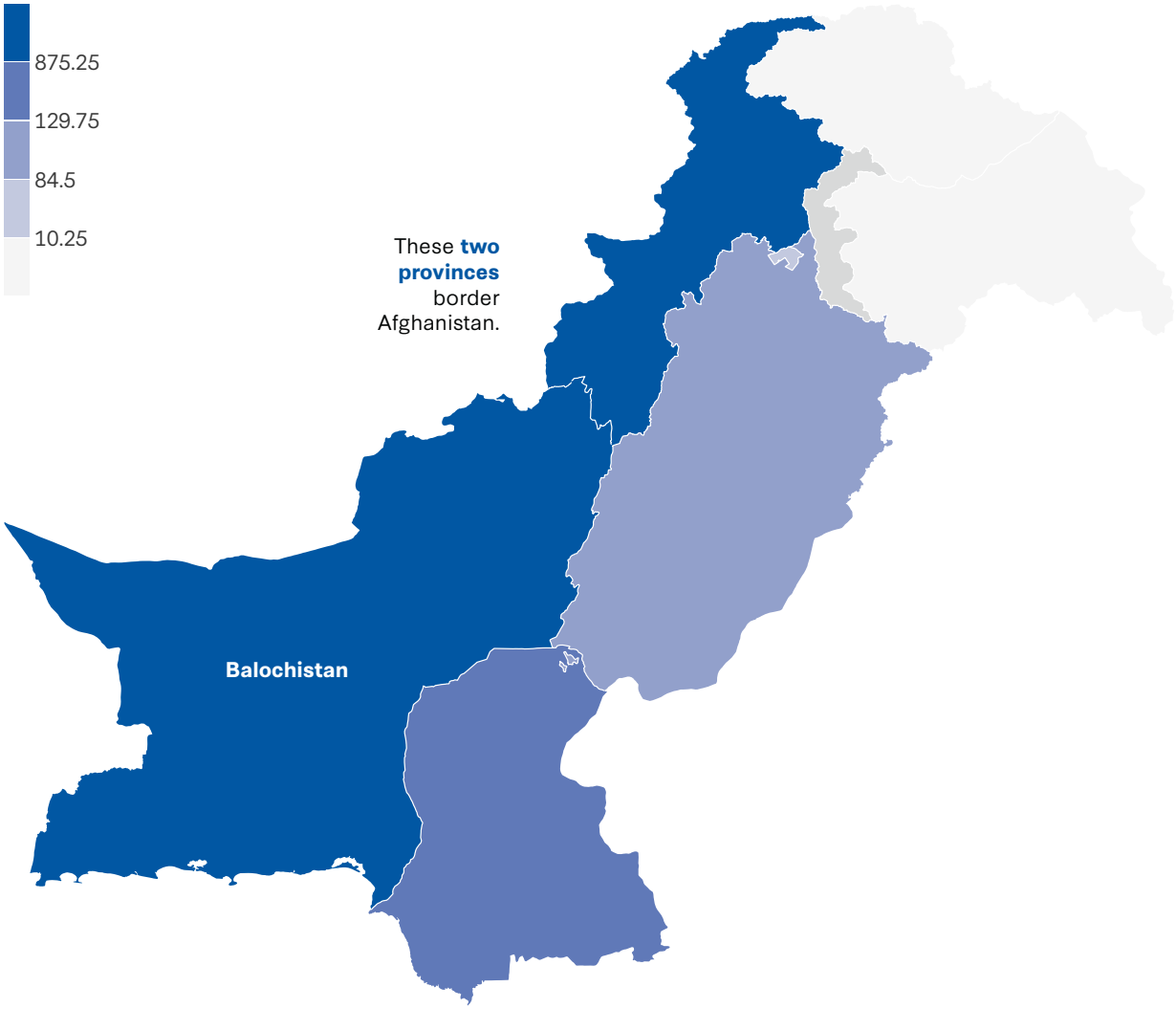
Terrorist attacks in Pakistan have intensified in recent years following the sudden U.S. withdrawal from Afghanistan in 2021. Significant volumes of U.S.-supplied military equipment and weapons were left behind, many flowing into Pakistan and the hands of militant groups like the BLA. Between 2021 and 2025, total attacks in Pakistan **quadrupled**, driven in part by the U.S. withdrawal. Balochistan suffers disproportionately from this violence, accounting for over 50 percent of attacks in 2025, despite being home to only 6 percent of the country's population. In 2023, Balochistan sustained about **55 terrorist attacks** per million people, a rate more than seven times higher than the national average.

High rates of terrorism have been a major hindrance to the development of Pakistan's mining industry. Persistent attacks have resulted in widespread coal mine closures. In the Duki district of central

Figure 2: Terror Attacks in Pakistan by Province, 2022–2025

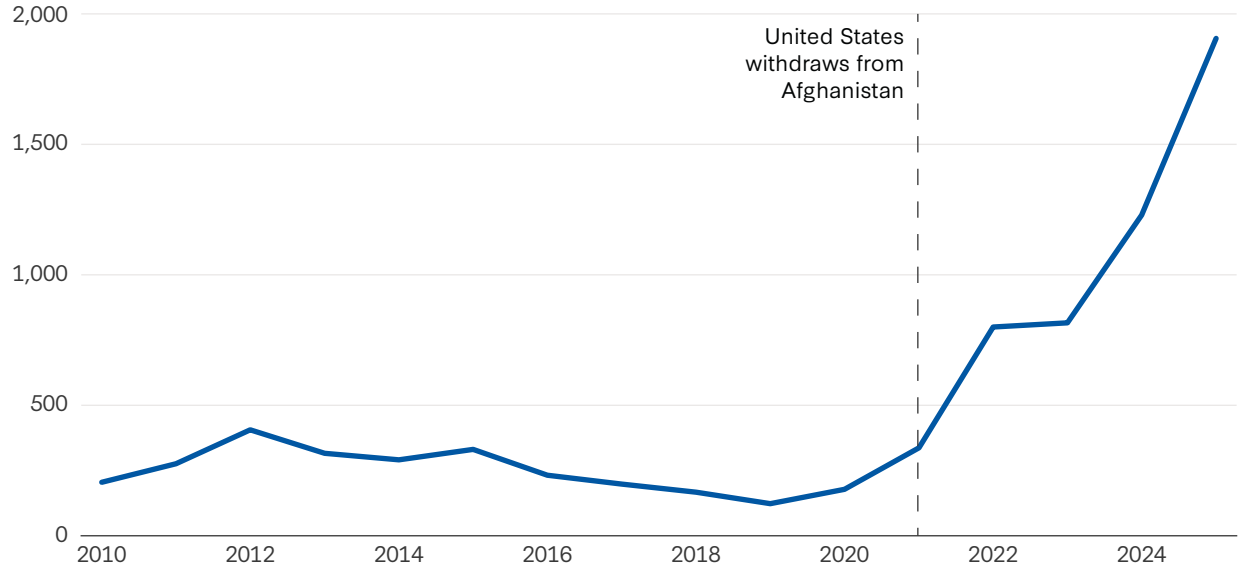


Source: ACLED.

Balochistan, terrorist attacks at a coal mine in 2024 left **21 miners dead** and another 10 were abducted. After no response came from the Pakistani government, about half of Duki's coal miners abandoned the district, and **40 percent** of its coal mines closed. Coal transport quantities fell precipitously: Normally, workers loaded 150–200 truckloads of coal daily for transport to Punjab, Sindh, and other regions. After the attacks, this figure fell to only **5–7 truckloads** per week, as drivers were reluctant to enter the region.

The same security dynamics have played out within the natural gas industry. Balochistan once provided over 50 percent of Pakistan's natural gas, primarily from the **Sui gas field**, the country's largest natural gas field, operated by state-run Pakistan Petroleum Limited (PPL). However, Sui has faced persistent attacks by militants on its gas pipelines and installations. In 2005, attacks were **so severe** that PPL suspended operations and shut off the gas supply to avoid further damage. In addition to the tragic civilian casualties, the suspension caused gas shortages for millions of Pakistanis. In March 2026, an attack on a pipeline carrying gas from Sui to Karachi **severely damaged** the pipeline and disrupted the

Figure 3: Annual Terrorist Attacks in Balochistan, 2010–2025



Source: ACLED.

gas supply to Pakistan's most populous city. The Pakistani government's inability to maintain security in the Balochistan region and protect critical energy assets does not bode well for the state's ability to secure mineral assets. Reko Diq is likely to face many of the same challenges as the Sui gas field, raising risks for U.S. mineral supply chains rather than alleviating them.

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These risks have not been mitigated for the Reko Diq project. In late January 2026, hundreds of BLA fighters attacked civilian and government targets in multiple towns in Balochistan, killing 36 civilians and 22 security personnel. The Pakistani government responded swiftly by launching operations that allegedly killed over 200 insurgents, but the attacks reignited long-standing doubts that Pakistan can effectively manage its domestic security situation to protect foreign-owned assets and strategic infrastructure. Balochistan's provincial government announced that it would raise a dedicated Frontier Corps and redesign "**the entire security architecture**." A provincial official described Reko Diq as the "flag-bearer of foreign investment" in Balochistan and claimed that the province would "do whatever is necessary to maintain that." Nevertheless, in early February, Barrick Mining Corporation said that it would perform a complete review of "**all aspects**" of Reko Diq, including capital allocation, security arrangements, and the development timetable. Following the review, Barrick **announced** the project would be delayed and that development would slow for 12 months due to the deteriorating security situation, pushing the year the asset enters production from 2028 to 2029. Unlike more opportunistic insurgencies, the BLA systematically targets extractive projects. It has framed ventures like Reko Diq as exploitative and issued explicit warnings for companies to withdraw from large-scale foreign

investments. The very attributes that underpin the project's value—its scale, reliance on foreign capital, and export orientation—have made it a focal point for attack. As such, the BLA is not a peripheral concern, but a primary, project-defining risk.

Corruption and Regulatory Challenges

Pakistan's rampant corruption, weak judicial system, and poor track record of upholding international investment treaties is a significant deterrent to foreign investment in the country's mining sector. Pakistan consistently ranks low on global corruption indices; in 2025, it ranked **136 out of 182 countries** for perceptions of corruption, placing it within the bottom quarter globally. Pakistan's endemic corruption permeates the highest offices. In 2022, Pakistani Prime Minister Imran Khan was **ousted from power** due to accusations of corruption, abuse of power, and political mismanagement. The following year, he was jailed and sentenced to 17 years in prison for retaining and selling state gifts. Chronic corruption has significantly constrained Pakistan's economic growth and undermined the business environment for foreign investment. In 2025, the International Monetary Fund (IMF) estimated that Pakistan could increase its GDP by up to **6.5 percent** if the country addressed systemic corruption and governance failures.

Pakistan's judicial system also suffers from weak judicial independence, low government accountability, and few limits on executive power. As a result, the court system is highly dysfunctional and has limited ability to enforce contracts and protect property rights, discouraging foreign investment. The court system faces a backlog of **2.4 million** pending cases, and one-quarter of the country's sanctioned judgeships remain vacant. For an industry as highly contentious and litigious as mining, a slow and bottlenecked court system is problematic for launching a critical minerals sector that meets international demand.

Additionally, the regulatory system is burdensome for mine licensing due to overlapping jurisdictions between the federal and provincial levels, uneven implementation, and a poor track record of upholding investment treaties. In all, six regulatory frameworks, eight legislative instruments, and 36 sets of rules govern the sector, creating a **burdensome system** for foreign investors. Over time, authority over mine licensing has shifted between the federal and provincial governments. Following Pakistan's independence, the regulation of licensing was split between federal and provincial authorities under the **Regulation of Mines and Oil-Fields and Mineral Development Act of 1948**. Under the act, the central government administered mines with nuclear materials, as well as oil and gas fields, whereas the provincial governments controlled the development of other mineral resources. In 2010, the **18th amendment to the constitution of Pakistan** guaranteed provinces exclusive jurisdiction over minerals, reinforcing provincial autonomy and giving Balochistan the legal standing to refuse mining licenses. However, in practice, provinces have been slow to modernize their mining laws and continue to rely on colonial-era legislation, creating a legal vacuum and ongoing ambiguity that complicates mining transactions.

The Reko Diq international arbitration case exemplifies how Pakistan's complex, multijurisdictional, and bad-faith judicial system impedes project development and erodes foreign investors' trust. TCC's Reko Diq investment was protected under the 1998 **Australia-Pakistan Bilateral Investment Treaty** (BIT) against unfair and unequal treatment, as well as unlawful expropriation. When TCC **filed for a**

mining lease in 2011, the Balochistan government rejected the application on the grounds that smelting and refining should be done in Pakistan. Two years later, the supreme court of Pakistan terminated the agreement entirely, denying TCC the legal rights to explore and mine in Reko Diq and arguing that the government of Balochistan never had the power to enter the agreement in the first place. The dispute was not resolved until 2019, when the International Centre for Settlement of Investment Disputes (ICSID) **ruled** in TCC's favor that the Pakistani government had unlawfully denied the mining lease, breached the BIT's fair and equitable treatment standard, and committed unlawful expropriation. TCC was awarded nearly $6 billion in damages. While the dispute was eventually resolved and the project has since moved forward, the international arbitration was lengthy, costly, and reputationally damaging. Furthermore, because the United States does not have a signed BIT with Pakistan, U.S. investors still lack core protection; they must rely on negotiated contract-level protections and are vulnerable to potential future misdeeds by the Pakistani government.

To drive foreign investment, Pakistan is attempting to clarify and streamline its regulation of mining activities. In 2023, the Pakistani government launched the Special Investment Facilitation Council (SIFC) with a goal of attracting **$5 billion** in foreign direct investment by coordinating between government agencies and fast-tracking project development. In 2025, the SIFC launched the **National Minerals Harmonisation Framework** to modernize the mining sector under a single unified strategy. The framework aims to make Pakistan's mining sector more attractive to foreign investors by reducing legal uncertainty, including through provisions to standardize regulations, streamline licensing, create clear dispute resolution mechanisms, and offer tax incentives for mineral exploration. While the framework has been promoted at **major investment forums** to prospective investment partners, including the United States, the European Union, Saudi Arabia, and China, each province must still legislatively adopt and implement the framework. In February 2026, the Balochistan High Court **suspended** implementation of the Balochistan Mines and Minerals Act to review constitutional petitions filed against the act, arguing that federal overreach violates Balochistan's autonomy. Therefore, while Pakistan may be working to streamline its regulatory system, the frictions between federal and provincial governments and the resulting risks for investors are unlikely to be resolved anytime soon.

Preserving India as a Strategic Partner

Pursuing a strategic partnership for minerals with Pakstan cannot come at the expense of relations with India. Deprioritizing U.S.-India relations could carry economic consequences. India is a major and rapidly growing economy with deep integration into global markets, making it a critical partner for trade, investment, and supply chain diversification. India offers a vast consumer market, with a population of roughly **1.5 billion consumers**. It also has a deep labor force that U.S. companies—such as technology and manufacturing firms—are increasingly integrating into global operations. U.S.-India trade has expanded rapidly in both goods and services. Total U.S. goods and services trade with India reached an estimated **$212.3 billion** in 2024, an increase of 8.3 percent ($16.3 billion) from the previous year.

India has the potential to be a key partner in both minerals production and processing. It is home to the third-largest rare earth reserves in the world, at **6.9 million tons**. In 2025, the government of India approved an $802 million rare earth permanent magnet manufacturing program. The country is also home to sizable deposits of graphite, chromium, and iron ore. Upon completion, the Adani Group's $1.2

billion **Kutch Copper facility** in Mundra, Gujarat, is set to become the world's largest single-location custom copper smelter, with a targeted capacity of 1.3 million tons per annum. This means that India will play a significant role in global critical minerals security and can be a key ally to the United States. The United States cannot afford to lose India as a strategic critical minerals partner and must balance these competing interests as it explores the possibility of a partnership with Pakistan.

Should the United States Invest in Pakistan's Copper?

Over the past year, the United States has expanded its network of allies and partners to secure critical mineral supply chains, from mining to processing to manufacturing. This network has grown to encompass traditional allies like Australia and Japan as well as nontraditional but strategic partners like Saudi Arabia and Kazakhstan, all of which may offer access to capital markets, vast high-grade resources, processing capacity, or know-how. The United States also continues to engage in high-risk jurisdictions and active conflict zones such as Ukraine and the Democratic Republic of the Congo (DRC) to recover resources and build infrastructure while promoting stabilization efforts. Nevertheless, Pakistan's Balochistan region presents a distinctive set of challenges that warrants careful consideration. The combination of significant security risks to life and property, China's considerable infrastructure presence and influence, and the limited track record of stable U.S.-Pakistan cooperation suggest that Pakistan and the Reko Diq asset may not be the most strategic fit for U.S. critical minerals investment at this stage. In light of the current security environment and operating conditions, there is meaningful risk that the Reko Diq mine could face ongoing instability that would limit its value as a U.S. national security asset.

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As of March 2026, EXIM's $1.2 billion investment in Reko Diq was the largest EXIM investment in a single international critical minerals project to date. In October 2025, EXIM announced letters of intent for investments totaling $2.2 billion in Australia, but these funds would span multiple projects, including Arafura Rare Earths, Northern Minerals, Graphinex, and RZ Resources, across a diversified portfolio of commodities, including rare earth elements, graphite, titanium, and magnesium. At the same time, Pakistan's operating environment presents a different set of considerations relative to Australia's, including more limited transportation infrastructure, power generation and transmission capacity, workforce depth, and security conditions—all of which can influence project execution and investor confidence. In this context, the scale of financing directed toward Reko Diq stands out relative to both the underlying asset profile and the broader risk environment. As EXIM continues to advance its critical minerals strategy, there may be opportunities to balance its portfolio by allocating capital across jurisdictions with comparable resource potential alongside more established operating environments, thereby optimizing both impact and risk exposure.

Recommendations

For Pakistan to emerge as a viable critical minerals partner for the United States and its allies, sustained progress will be needed to address key infrastructure, regulatory, and security constraints that currently shape the investment environment. Demonstrating credible reforms in these areas would be an important signal to international investors. In the interim, a measured approach to U.S. government financing—aligned with reform milestones and improvements in operating conditions—may help ensure that future commitments are both commercially viable and strategically durable.

- **Protect strategic assets with targeted deployment of security forces.**

  Ensuring the security of mining assets and related infrastructure is foundational to the success of minerals investments in Pakistan. Large-scale infrastructure has been a primary target of Pakistani insurgents—including Reko Diq, the Sui gas field, and CPEC projects—but Pakistan has been reticent to deploy its armed forces or allow private security teams. Pakistan must commit to safeguarding strategic assets and infrastructure corridors through the targeted use of active-duty FWO officers or the Frontier Corps to defend projects and deter repeat attacks. Meanwhile, Pakistan should continue efforts to revitalize its **National Counter Terrorism Authority** and **establish a center** for analyzing provincial intelligence and threat assessments to preempt attacks.

  The United States has historically provided military aid to Pakistan when objectives align with national interests, but Pakistan must first prove it will use funds appropriately rather than divert them to nefarious purposes, as it did repeatedly throughout the Cold War and the war on terror in the 2000s. Pakistan's federal and provincial governments should accelerate efforts to raise a dedicated Frontier Corps for "**mineral-bearing**" regions, enhance its intelligence network, and work closely with mining companies on security.

- **Build logistical corridors that unlock regional vertical integration away from China.**

  Balochistan Province severely lacks enabling transportation infrastructure for large-scale mining operations. Balochistan serves as a critical link for regional trade routes, with the largest port in Pakistan and land borders with two countries. Still, only **15 percent** of roads are paved, despite road transport accounting for **96 percent** of freight. New infrastructure investments will be critical to directing the flow of materials from Balochistan to processing hubs. For example, the proposed China-Pakistan railway will direct shipments from Gwadar Port to Xinjiang. Without alternative, non-PRC-driven transport corridors connecting to processing nodes, future Pakistani mineral production will be largely directed to China for processing, undermining U.S. vertical integration goals.

  In 2025, Pakistan's Finance Division, a top economic decisionmaking body in the country, approved $390 million of financing from the Reko Diq Mining Company—a joint venture between Canada's Barrick Mining and Pakistan's federal and Balochistan governments—to build a **1,350 km** railway track to transport mine production from Balochistan to the city of Rohri in Sindh Province. The project, upon completion, would transport 1 million tons of copper annually, equivalent to 28,000 truckloads. Still, the critical **500 km Rohri-Karachi section**, which connects Balochistan to the country's main port of Qasim in Karachi, is under development by a Chinese-led consortium financed with $2 billion from the Asian Development Bank but executed

by China. The Pakistan International Bulk Terminal at Port Qasim has been contracted to handle mineral exports exceeding **$5 billion**.

With China's significant network of infrastructure projects in Pakistan targeting Balochistan's resources, the United States and Western allies will need transportation corridors that move materials from Balochistan to Western markets. For mining investments to be viable, Pakistan must first invest in its infrastructure in partnership with development finance institutions independent of China.

- **Initiate and enforce judicial and regulatory reform while strengthening investor protections to insulate mining projects from Pakistan's weak rule of law.**

  Judicial reform, streamlined mine licensing, and stronger investor protections are necessary to form a regulatory and legal environment in Pakistan that strengthens investor confidence. Mining projects are already long-term investments. Investors cannot afford timelines to be drawn out even further by lengthy litigation, bottlenecked permitting, and battles between provincial, federal, and international courts.

  First, Pakistan requires judicial reform to ensure its court system is functioning, fair, and uncorrupted. The United States is already viewing judicial reform as a prerequisite for minerals investment in other challenging mining jurisdictions, including the DRC. As part of the **U.S.-DRC Strategic Partnership Agreement**, the DRC is directed to "prioritize judicial reforms aimed at increasing the capacity and reliability of judicial institutions to support a predictable investment climate and reduce corruption in the judiciary." Pakistan will need to fill judgeship vacancies and bolster sector-specific training to build capacity; create a publicly available database for mining licenses, permits, and decisions for transparency; and insulate judicial decisions from political interference by establishing a specialized commercial court dedicated to mining and minerals-related cases. Specialized courts are used to streamline cases in a number of countries and sectors. In Australia, the Land and Environment Court of New South Wales, which has jurisdiction over mining cases, completed proceedings for mining disputes in an average of **149 days** in 2022.

  Second, Pakistan's permitting regime must be streamlined and standardized to clarify when provinces have autonomy and when the federal government has authority. The **Balochistan Mines and Minerals Act of 2025** attempts to simplify the licensing system by centralizing the process under the Licensing Authority within the Directorate General of Mines and Minerals, as well as establishing an online mining cadastre. However, this new system remains untested and will first need to be accepted at the provincial level to be implemented and enforced.

- **Collaborate with partners on mapping and data collection in Balochistan with remote scanning technologies.**

  Critical minerals mapping and geological data collection are a fundamental step for evaluating a deposit's economic viability, de-risking projects, and stewarding private capital. As international interest in Pakistan's mineral resources intensifies, there may be opportunities for Western partners with advanced technological capabilities, such as Canada and Australia, to undertake joint exploration programs with Pakistan. The USGS conducted major on-the-ground

exploration in Pakistan during the 1990s, but the studies focused on coal and are now out of date. Today, more than **95 percent** of the country's mineral terrain remains underexplored, and no internationally certified reserve estimates exist. Pakistan should prioritize updating its mapping and exploration initiatives to provide investors with the data they need to make capital allocation decisions.

New remote sensing technologies and mapping methods are helping to make mapping more accessible in conflict zones. Lidar (light direction and ranging) is a laser-based scanning technology that produces highly accurate topographical measurements taken at a distance to help geologists identify regions where critical minerals are likely located before deploying more targeted exploration tools like geophysical surveys and drilling. Deploying lidar for mapping in conflict zones can reduce exploration teams' exposure to areas with violence and civil unrest. USGS has already deployed remote mapping and imaging technologies to monitor **deposits and artisanal mining activity** in conflict zones in Côte d'Ivoire, Ghana, Guinea, and Mali.

China has partnered most extensively with Pakistan on geochemical mapping and sampling, producing the country's first national-scale rare earth **geochemical map** in 2024. Last year, Pakistan **unveiled** the upgraded Geoscience Advanced Research Laboratories (GARL) in Karachi, a facility designed to improve capabilities in mineral research and provide verifiable data to support large-scale investments. Pakistan has made a concerted effort to bolster minerals exploration; its **copper exploration budget** surged from $1 million in 2022 to $40.5 million in 2023. Its 2025 copper exploration budget–**$40.9 million**–ranked 18th globally. However, Pakistan's exploration accounts for only a small fraction of global exploration activities (1.25 percent), and only two companies were actively exploring in Pakistan in 2025, compared to more than 200 in Canada and Australia. Undertaking joint activities such as mapping, data collection, and remote sensing surveys could provide an avenue for closer cooperation between Pakistan and non-PRC partners. Higher-quality data would facilitate foreign investment in Pakistani projects by providing a foundation for bankable resource estimates.

- **Foster Gulf-centric international partnerships for mineral sector development.**

  As Persian Gulf states, particularly Saudi Arabia, invest in building out their processing and refining infrastructure, new processing capacity will require feedstock. Pakistan's coastal access to the Gulf of Oman and the wider Arabian Sea could make it a potential partner in providing emerging processing hubs with feedstock. Islamabad has already shown interest in collaborating with Gulf states by showcasing its mineral resources at the Future Minerals Forum in Riyadh in early 2026. Saudi Arabia has also made overtures toward closer cooperation, with the Saudi Development Fund expressing interest in investing up to **$100 million** to build out Pakistan's mining infrastructure in early 2025.

  Pakistan should pursue partnerships with Gulf states like Saudi Arabia and the United Arab Emirates, which have greater access to capital and are already deepening minerals partnerships with the United States. Saudi Arabia has entered a **public-private partnership** to build rare earths separation and refining capacity with MP Materials and the Pentagon's Office of Strategic Capital. The United Arab Emirates has joined the Department of State's **Pax Silica** initiative, and the Abu Dhabi sovereign wealth fund has joined a **consortium** with the U.S. International

Development Finance Corporation (DFC) and private equity firm Orion Resource Partners to invest $1.8 billion into minerals projects around the world. Continuing to build these plurilateral partnerships can help to de-risk projects for U.S. investors and build a supporting ecosystem that goes beyond just one singular copper project.

Conclusion

Pakistan's mineral endowment—anchored by the world-class Reko Diq copper-gold deposit in Balochistan—positions it as a long-term interest for foreign investors seeking to diversify critical mineral supply chains. The United States and Pakistan have recently moved toward deepening minerals engagement with renewed diplomatic relationships and EXIM financing commitments. However, Pakistan faces structural challenges that make Balochistan one of the most challenging operating environments in the world: intensifying security threats, deeply embedded Chinese infrastructure, and a weak judicial system. These are not minor points of friction but fundamental constraints that must be addressed for Pakistan to become a reliable partner for long-term U.S. investment. Significant progress must be made to build infrastructure corridors, reform the judicial system, and address security concerns. A measured, reform-linked approach will ultimately serve both countries' interests, building the foundation for a durable minerals partnership rather than one vulnerable to the cyclical tensions that have historically defined the U.S.-Pakistan relationship. ■

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