Balancing Geostrategic and Economic Diplomacy

Global geopolitics has been increasingly volatile due to political and non-political developments including US-China tensions, Russia-Ukraine war, China-Western decoupling, rise of geopolitical swing states, hardening of technological blocs, inflation-recession paradox, food insecurity and instability and recent Israel-Palestine war.

The nature of global interactions is rapidly changing towards multiple centres of economic gravity from a unipolar structure. This has led to the emergence of several regional cooperation blocs. China’s Belt and Road Initiative (BRI) is perhaps the most influential intervention towards this shift where more than 150 countries have joined hands to develop connectivity infrastructure in partnership with China. Advancement of digital technology is also changing the nature of business transactions. Countries are responding to these profound changes by adjusting diplomatic and internal institutions towards sustainable economic partnerships. In the new Asian Century, proximity will play a key role in economic competitiveness for emerging economic blocs.

Understanding this intricate political-economic turbulence is of paramount importance for Pakistan as it strives to craft an effective and balanced foreign policy. Pakistan finds itself in a precarious position, sandwiched between internationally isolated countries like Iran and Afghanistan to the west, a historical rival in India to the east, and a formidable political and economic player, China, to the north. These geopolitical dynamics pose unique national security challenges, necessitating a delicate balance between internal and external security risks. It is critical for Pakistan to carefully reposition its policies and institutions to leverage the advantages of geoeconomics rather than focusing on traditional geopolitics. Pakistan needs to develop long-term diplomatic relations based on its economic value proposition. All diplomatic efforts should focus on fixing key fault lines like macroeconomic stability, export competitiveness, productivity enhancement and technology adoption.

In the contemporary world, economic diplomacy has emerged as a potent instrument for advancing national interests. Economic forces are leveraged to achieve strategic objectives, from negotiating trade agreements and promoting innovation through investment to utilising economic sanctions as a means of exerting political pressure. Trade and investment are instrumental in achieving strategic goals, underscoring the significance of economic diplomacy in foreign policy.

For Pakistan, economic diplomacy can play a pivotal role in reducing dependence on foreign aid and fostering economic growth through resource diversification. The country’s trajectory towards sustainable growth has been a rollercoaster of challenges, with recurring economic volatility and a heavy reliance on external financial assistance. These hurdles have often led to a fragmented approach in both fiscal and foreign policy, lacking in consistent and strategic direction. To pivot from this pattern, the government has taken a strategic step with the creation of the Special Investment Facilitation Council (SIFC). The SIFC aims to streamline investment processes and develop policies that nurture growth across pivotal sectors, including defence, agriculture, minerals, IT, telecom, and energy, setting the stage for a more stable and self-reliant economic future.

To discuss these challenges and way forward, this plenary session aims to explore the following key questions:
1. How is Pakistan’s foreign policy evolving within the context of a multipolar world to enhance its international engagement?

2. As global governance dynamics shift, what are the potential strategic alliances Pakistan can forge?

3. What measures are in place to refine the diplomatic corps’ proficiency in politico-economic negotiations, and what strategies could bolster this dimension of Pakistan’s foreign policy?

4. How can the Ministry of Foreign Affairs (MoFA) leverage the Special Investment Facilitation Council (SIFC) to solidify Pakistan’s diplomatic endeavours?

5. In light of the recent Palestine-Israel war, what impact has been observed on Pakistan’s regional diplomatic relations and alliances?

**Plenary Organisers**

Mr Kashif Majeed Salik, Associate Research Fellow, Sustainable Development Policy Institute, Islamabad, Pakistan
Email: kashif@sdpi.org

Ms Khansa Naeem, Research Associate, Sustainable Development Policy Institute, Islamabad, Pakistan
Email: khansa@sdpi.org