

## NAVIGATING PAKISTAN'S FOREIGN POLICY TOWARD G7: TRADE DYNAMICS, ECONOMIC CHALLENGES, AND STRATEGIC OPPORTUNITIES

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### **Abstract**

*Foreign policy is crucial in influencing a country's economic and trade dynamics. This study examines Pakistan's foreign policy strategies toward G7 countries and analyzes their implications for Pakistan's business and economic landscape. The G7, comprising the world's most advanced economies, significantly influences global financial trends, trade policies, and investment opportunities. For Pakistan, engaging effectively with these nations is critical for securing trade partnerships, attracting foreign direct investment (FDI), and addressing economic challenges such as fiscal deficits, trade imbalances, and debt management. This research explores how diplomatic efforts, bilateral agreements, and multilateral collaborations have affected Pakistan's access to G7 markets, technology transfers, and economic aid. It also evaluates the impact of sanctions, trade restrictions, and geopolitical shifts on Pakistan's economic growth. Furthermore, the study investigates the potential of diversifying export portfolios and enhancing regional cooperation to mitigate dependency on G7 nations. Findings suggest that Pakistan's strategic alignment with G7 policies in areas such as sustainable development, climate change, and digital transformation could unlock substantial economic benefits. However, challenges such as political instability, inconsistent policy frameworks, and global economic disruptions need to be addressed to maximize these opportunities. The study concludes with policy recommendations for fostering resilient economic ties with G7 nations, emphasizing the need for proactive diplomacy, economic reforms, and targeted trade initiatives to bolster Pakistan's business and economic prospects.*

**Keywords:** Pakistan, foreign policy, G7 nations, business, economy, trade relations, foreign direct investment, economic growth, geopolitical implications, trade diversification.

## Introduction

The Group of Seven (G7) countries is a coalition of the world's leading advanced economies, including Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. These nations are characterized by their high-income status, robust industrial bases, and significant influence on global economic policies. Together, they represent a substantial portion of the world's wealth and play a pivotal role in shaping international financial and political frameworks. The European Union also participates in G7 discussions, underscoring its importance as an economic and political entity, though it is not a formal member. Rungmaitree et al, (2022)

The Group of (G8) and the Group of (G7) are intergovernmental organizations of the world's most advanced economic countries which agree with each other's economic policies and deal with global problems. The G7 is composed of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States of America plus the European Union. It is the focal point of the democratic values, and economic coordination. Initially, G7 was G7+Russian Federation, which was the EUs way of indicating Russia's weight in global politics but then Russia was punished in 2014 after it was annexed by Crimea, G7 then again became G7 without Russia. Li (2023)

## G7 Member Countries



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## G8 Members States



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The G8, originally formed as the G7, represents a group of the world's leading industrialized nations that collaborate on global economic, political, and security issues. Its members include Canada, France, Germany, Italy, Japan, Russia (suspended since 2014), the United Kingdom, and the United States. These nations are characterized by their advanced economies, significant global influence, and commitment to promoting democratic principles and economic stability. Although the group has returned to its G7 format following Russia's suspension, its legacy as the G8 underscores its historical role in addressing critical global challenges through dialogue and coordination. Abid et al, (2022)

The invention of the G7 in the 1975s was the answer for the biggest concerns of that time, like the deflation of the world economy and the big oil crises. The organization is now the main tool for the addressing of the whole list of issues like the need of trade agreements, climate change problems, security needs, and the public health emergencies. The summits are regular and allow their leaders to work on issues, share common principles of democracy and open markets, and forge alliances therefore making their both states more prosperous and peaceful.

The G7 inclusiveness approach is faulted for its incapacity to incorporate new economies such as China, India, and Brazil as part of its connections nevertheless it holds a big share of the global market. This unique position has been a source of criticism due to the fact that the G7 cannot effectively address the global issues facing the modern globalized world. Despite the above points, the G7 still provides a platform for talking and decision-making for the leading economies of the world that with time have come up with resolutions that have strengthened the globe as well as global economic stability and growth. Kartal et al, (2023)

Pakistan has a diverse range of relationships in political, economic, and developmental sectors with the G7 countries. As a growing and strategically significant power, Pakistan has sought to both create bilateral relationships with G7 nations. Throughout history, common interests and the changes of global dynamics have defined these relationships.

The G7 states have shown great attention to Pakistan owing to its investment desires in energy, infrastructure, and technology. Japan, as a key partner in the major development, apart from providing financial aid, also contributes with its technical expertise in infrastructure projects, including transportation, and energy. Germany, through investments in renewable energy and vocational training, is aiding Pakistan's economic diversification. Incorrigible, The United States remains a significant trading partner and investor despite the opposition, with the basic sectors of private-sector growth, agricultural development, and technology transfer.

In Pakistan, economic concerns are solved through G7 members donating grant. In some countries such as Germany and Japan, there are countries that provide grants and loans for education, healthcare, or poverty alleviation. The mitigation of poverty is at the core of Pakistan's efforts to eliminate debts and reach sustainable development to boost its economic strength. Khan et al, (2020)

Political and economic connections of Pakistan with G7 nations are under mark by shared interests, challenged times of crisis, and opportunities for growth. The visibility of such barriers is insignificant; however, aligning Pakistan's ties with the G7 could be a crucial element in aiding Pakistan's growth and global integration. The ability of Pakistan to become a reliable and valuable partner in the global agenda can be attained by the integration of its internal processes, investment in human capital, as well as the alignment of its policy framework with international norms. Khan et al, (2020)

### **Political Relations**

At the same time, the United Kingdom, with its colonial past with South Asia, maintains a seriously strong relationship with Pakistan, mainly based on the presence of a big Pakistani diaspora in the UK. France and Germany have tackled Pakistan with related problems like climate change, administration, and civil rights. Masood et al, (2020)

In south Asia, Japan has a prominent place and successfully maintains strong political relationship with Pakistan. This support is in favor of sustainable developmental support and stability of regional economic development in South Asia. Canada does not took much interest in political activities directly, but has a lot of interest in strengthening democratic institutions and human rights in Pakistan. The trade relations of Pakistan with European Union and G7 countries are positive; EU participates in G7 discussions through multiple economic, human and government projects and programs. Ahmad et al, (2023)

### **Economic Relations**

Pakistan is engaged with G7 countries for economic development through trade, investment, and developmental aid. Major exports of Pakistan are textiles, agricultural products, and leather goods offered to markets in G7 countries. These trade agreements are linked with European Union and U.S.A. This is a way to scale up trade and boost economic development in the country. Ahmad (2024)

### **Challenges and Opportunities**

Despite these positive engagements, Pakistan faces challenges in fully capitalizing on its relations with G7 countries. Issues such as political instability, inconsistent economic policies, and concerns over governance and human rights have occasionally strained relations. Moreover, Pakistan's close ties with China, particularly through the China-Pakistan Economic Corridor (CPEC), have sometimes created strategic dilemmas for its interactions with G7 members, especially the United States and Japan. Raza & Shah (2018)

Pakistan's proximity to the strategically important place, its well-trained young workforce, and a larger consumer market are the major sources of the argument for closer G7 cooperation. Besides, thorough good governance practices, transparency, and effective institutional reforms would further legitimize Pakistan's credibility as a strong partner to G7 members. Shah et al, (2022)

Nonetheless, the political and economic alliances between Pakistan and G7 nations are characterized by shared goals, similar problems, and growth opportunities. In spite of the difficulties, the improvement of relations with the G7 could be a major element in Pakistan's development and integration in the global market. With time, the relationship between Russia and Pakistan, which used to be one of the former G8 members, has experienced a series of significant changes, moving from mutual distrust in the Cold War period to creating pragmatic links. In the meanwhile, Pakistan was the U.S. and NATO's ally, while Russia was backing India, an adversary of Pakistan. Vu (2020)

Although that was the case, the years following the end of the Cold War marked a gradual downgrading in the estrangement between the nations since both of them realized their mutual benefit in the polarized states of affairs. Pakistan and Russia have had increasingly close (military and economic) ties over the past few years. For example, common military exercises, the purchase of Russian military hardware, as well as the issue regarding terrorism have illustrated their strengthening defense cooperation. As Russia finds the Pakistani energy sector attractive from an economic perspective, it is meanwhile planning gas pipeline constructions and as the first to establish new routes for the flow of gas the Pakistan Stream Gas Pipeline is intending to meet its energy needs and establish regional integration. Mian (2015)

### **Significance of the Study**

This study explores Pakistan's evolving foreign policy toward G7 countries, highlighting the critical role these nations play in shaping Pakistan's trade, economic stability, and strategic partnerships. Understanding these dynamics is vital for addressing economic challenges, enhancing global integration, and identifying opportunities for sustainable development.

### **Objective of the Study**

The study aims to analyze Pakistan's trade relationships, economic engagements, and strategic collaborations with G7 countries. It seeks to identify challenges and opportunities, offering insights to policymakers on optimizing Pakistan's foreign policy to strengthen its position in the global economic and political landscape.

### **Literature Review**

(Griffiths, 2007), states that when state develop international relations, there global scenario is changing rapidly and has interconnected components in twenty-first century. There are basic set points including realism, liberalism, and constructivism and these are gradually increasing. Twenty first is multi-polarity and has many transnational challenges including climate change, cyber-security, and pandemics. There is a focus on interplay between global governance, technological advancements, and shifting power dynamics.

(Waheed, 2017) discussed that state sovereignty is among top priority agenda of Pakistan in context of international relations. IR has influence on Pakistan's foreign policy, its strategic decisions and relations and regional engagements with neighboring countries. Pakistan has a

unique geographic importance as a sovereign state has many factors including complex dynamics, internal political structure, and global alliances. Pakistan's state sovereignty is influenced by challenges and external pressures, including regional grouping, economic dependencies, global security situation, and geo-economy.

(Khan & Shirazi, 2021) reveals that Pakistan has an important geostrategic importance, serve as a bridge between South Asia, Central Asia, Russia and the Middle East. Pakistan foreign policy emphasis to develop best relations with western countries to enhance Pakistan's economy, meanwhile Pakistan's foreign policy experts always in favor of Pakistan relations with developed countries, like USA, France, Russia security is influenced by Afghanistan's stability as it has security concerns. Pakistan and Afghanistan has very important shared border face many challenges including cross-border militancy, flow of refugees, human trafficking and drug trafficking.

(Bhatti & Shahrukh, 2023) discusses that the geo-economics of Pakistan is influenced by its strategic location as it has crossroads of South Asia, Central Asia, and the Middle East. Pakistan is known a hub for regional trade and connectivity and has contribution to global economy. Pakistan may play a key role due to China-Pakistan Economic Corridor (CPEC), as it has geography to attract investment and link major economies.

(Bayne, 1995), describes that the G7 Summit has very important place for global reforms and need to adapt strategic level frameworks to the evolving realities of the 21st century. G7 members may influence the global economies, sustainable solutions for climate issues and technological innovation. International institutions including United Nations, World Trade Organization (WTO), and International Monetary Fund (IMF) has aim to design and execute inclusive, transparent, and efficient economies.

Bhatti & Shahrukh (2023) discusses the geopolitical position, security concerns, and economic weaknesses have played a significant role in shaping Pakistan's foreign policy throughout history. Rather, it has been aligned with the great powers of the world (including G7), driven by pragmatic needs such as security, trade and economic support. The contribution of G7 countries to Pakistan's export revenue, particularly in the textile and agriculture sectors, is significant, 'Diversify our export trade to ensure growth,' the study concludes.

Akram (2023) discusses that political instability in Pakistan from 2018 to onwards have been characterized by frequent changes in government leadership, economic challenges, and mounting public discontent. Further study highlighted that Pakistan's relations with the USA multi-faceted and range from bilateral diplomacy, trade, import and export. United States has been the main exporter of the Pakistan and besides, the US has been supporting the security sector and cooperation in the fight against terrorism.

Setiawan et al, (2022) highlights that Pakistan must uphold labor and environmental norms to maintain this privilege, while also striving for improved trade ties with G7 nations. Further, Pakistan's renewable energy sector, which is crucial in addressing energy shortages and decreasing dependence on fossil fuels.

Naqvi et al, (2023) discusses the positive effects of US, Canadian, and Japanese aid on education, healthcare, infrastructure development, among other things, in Pakistan's economy.

Pakistan's relations with G7 nations have been impeded by corruption, inconsistency in policy decisions, and weak institutions, as noted by scholars such as Aslam (2020).

Kirton & Larionova (2022) evaluate the significance of security cooperation to Pakistan's foreign policy priorities and regional stability. This study highlights the extensive discussion surrounding Pakistan's cooperation with G20, BRICS SCO and G7 member states, particularly the US, in counterterrorism.

Khalid & Munir (2023) study explore that its geostrategic position gives Pakistan a unique strategic edge and relations with Russia, study emphasized that Pakistan can serve as an intermediary between developing economies and Russia. This positioning can lead to increased investments and partnerships, in line with global economic trends.

Yasmeen & Shah (2024) explores the two states shared concerns regarding stability in Afghanistan, the escalation of extremist movements, and drug trafficking have led them to form partnerships with international institutions like the Shanghai Cooperation Organization (SCO). Despite ongoing trust issues and close ties with the U.S. and China, Pakistan's relationship with Russia represents a diversification in foreign policy, providing both countries with opportunities to tackle each other's mutual problems while strengthening regional partnership efforts. The geopolitical position, security concerns, and economic weaknesses have played a significant role in shaping Pakistan's foreign policy throughout history. Rather, it has been aligned with the great powers of the world (including G7), driven by pragmatic needs such as security, trade and economic support.

Fu & Khan (2024) highlight the fact that Pakistan's export industry is primarily composed of textiles and agricultural products. Pakistan's dependence on China limits its bargaining power in trade deals with G7 nations, which have shifted their import policies towards high-value goods and services. Furthermore, Pakistani exporters face challenges due to the imposition of strict trade regulations and tariffs by G7 nations, particularly those from developing economies.

Khan et al, (2024) recommend that Pakistan implement policies aimed at reducing trade deficits by encouraging value-added exports and seeking preferential trade deals.

### **Conclusion**

Pakistan's foreign policy toward the G7 reflects a complex interplay of trade dynamics, economic challenges, and strategic opportunities. Over the years, Pakistan has sought to leverage its relationships with these leading economies to address its developmental needs, enhance trade, and bolster its position in the global economic landscape. However, the outcomes have been shaped by a range of internal and external factors, including geopolitical shifts, domestic policy constraints, and the evolving priorities of G7 nations.

The foreign policy of Pakistan towards the G7 countries is a complex mix of trade interests, economic difficulties, and strategic opportunities. Pakistan's trade with the United States, the UK, and Germany is based on a dependence on restricted export categories, particularly textiles. Pakistan's excessive reliance puts it in the crossfire of external economic fluctuations and emphasizes the importance of being diversified. Ahmed et al, 2022, have suggested that Pakistan may gain more market access and become part of global value chains by better adhering to international standards and engaging in trade agreements.

The continuity of the trade ties is still the most significant point in Pakistan's alliance with the G7, especially thanks to the measures such as the EU's GSP+ initiative, which has done a lot for Pakistan's exports. However, the persistence of trade imbalances and the reliance on low-value

products signify the need for more than just structural reforms to make them more competitive and diverse in the export of commodities. The amelioration of industrial production, the higher accessibility of the market, and the stimulation of innovation are the key instruments that will help Pakistan to get the most out of its trade with G7 countries.

After the fact, the financial donation, technological help, and the investment made in the fields as energy development, education... have been the driving forces in the actions of G7 countries. Despite the interventions made which have been very useful in solving long-lasting issues, Pakistani the need for external aid reflects the importance of achieving fiscal balance and reducing the dependence. The efficient policy orientation, as well as the transparency and governance reforms are the necessary actions that will attract sustainable foreign investment and besides, ensure that the developmental assistance will have a great impact.

One of the means through which Pakistan can solve global and regional challenges is by the cooperation it maintains with G7 nations, Pakistan and others, and the cooperation it has with the rest of the world. Working together, Pakistan and other countries can mitigate such problems as the climate change, terrorism, and the digital transformation, and at the same time, they can be a stabilizing factor in the region by collaborations. Because of this, preserving its relations with the G7 and matching it with non-G7 states such as China and Russia needs a non-orthodox and flexible diplomatic.

It is not guaranteed that the Expansion of its G7 membership will be successful, but it is a possibility. As a result of its strategic position, rapid population growth, and strong but untapped economic potential, the country is an attractive partner for G7 countries that are in search of forging stronger ties with South Asia. The country, by integrating the policy framework of Pakistan, investing in the human capital, and solving the internal inefficiencies, can become one of the reliable partners in the G7 world.

In conclusion, navigating Pakistan's foreign policy toward the G7 involves a delicate balance of leveraging trade opportunities, addressing economic vulnerabilities, and fostering strategic partnerships. The path forward demands a proactive and coherent policy approach that prioritizes long-term development, mutual trust, and shared benefits. With the right reforms and sustained engagement, Pakistan can strengthen its ties with the G7, contributing to its economic resilience and enhancing its role on the global stage.

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