DOI: https://doi.org/10.63056/jllsa.2.7.2026.211

JLLSA

Journal of Language, Literature & Social Affairs

journal homepage: https://scholarclub.org/index.php/jllsa

From Tariffs to Tensions: Geopolitics at the Crossroads of Trade Wars and Diplomacy

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ARTICLE INFO

Received:
June 08, 2026
Revision Received:
June 22, 2026
Accepted:
July 06, 2026
Available Online:
July 21, 2026

Keywords:
Trade Wars; Tariffs; Geopolitical Tensions; Economic Diplomacy; Pakistan; Trade Diversification; Economic Resilience; Economic Statecraft; Global Political Economy

ABSTRACT

The global economic order has experienced significant transformation, characterized by the escalation of trade conflicts, geopolitical rivalries, and the increasing use of economic instruments as tools of strategic influence. The shift from traditional tariff disputes to broader geopolitical tensions has reshaped international trade relations and created new challenges for developing economies. This study examines the impact of trade wars and geopolitical competition on Pakistan's economic resilience, diplomatic strategies, and trade diversification during the period 2018–2024. Drawing upon the theoretical foundations of economic statecraft, geopolitical economy, and weaponized interdependence, this research develops a conceptual framework linking trade war intensity, geopolitical tensions, economic diplomacy, trade diversification, and economic resilience. Using a quantitative research approach, the study analyzes data collected during 2018–2024 and applies Partial Least Squares Structural Equation Modeling (PLS-SEM) to evaluate the proposed relationships among the constructs. The findings reveal that intensified trade conflicts negatively affect Pakistan's economic resilience by increasing exposure to external shocks, trade uncertainty, and global supply chain disruptions. Furthermore, geopolitical tensions significantly influence Pakistan's economic diplomacy, encouraging strategic balancing among major economic partners. The results also demonstrate that effective economic diplomacy enhances trade diversification, while diversified trade structures strengthen Pakistan's ability to manage external economic challenges. The study highlights that Pakistan's economic strategy during periods of geopolitical uncertainty requires greater emphasis on export diversification, regional economic integration, investment facilitation, and flexible diplomatic engagement. This research contributes to the growing literature on geopolitical economy by demonstrating how developing countries navigate the transformation of trade disputes into broader strategic confrontations. The study concludes that economic resilience in the contemporary global order depends not only on trade participation but also on the ability to manage geopolitical risks through effective economic diplomacy.

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1. Introduction

The world economy is undergoing a harsh transition in which trade is being more shaped by geopolitical, strategic and diplomatic competition. International trade has long been regarded as economic cooperation and mutual benefits but in recent times it is being used as a tool for political leverage and strategic competition. The trend toward more tariffs, export restrictions, sanctions and protectionist measures is a departure from traditional trade liberalization to a more contentious global economic landscape (Baldwin, 2016). It is interesting to observe that economic interdependence can at times be a cause of geopolitical vulnerability, as can be seen in the emergence of trade conflicts between the United States and China (Frieden, 2018; Evenett & Fritz, 2021).

The shift from tariffs as economic policy to geopolitical pressure is of particular concern to developing economies. Increased tensions in trade relations impact on global value chains, investment, access to markets, the stability of the economy, etc., especially in countries heavily reliant on international trade networks. Rodrik (2018) argues that globalization has introduced intricate problems for States trying to reconcile their domestic economic policies with their international economic obligations. States also are playing an increasing role in the exercise of economic power through their involvement in networks, as stated by Farrell and Newman (2019), and trade relationships have become an important aspect of geopolitical strategy.

Pakistan is an important case study in this rapidly evolving global scenario owing to its strategic status, economically significant relations and intricate dynamics with key global powers. Located in the heart of three continents—South Asia, Central Asia, and the Middle East—Pakistan has had strong economic and foreign relations with both regional and western powers. But, with the growing competition between the United States and China, Pakistan's foreign policy has new challenges. The nation's involvement in the Belt and Road Initiative (BRI) by China, notably the China-Pakistan Economic Corridor (CPEC), has bolstered economic ties with China, yet it has demanded a delicate balancing act between managing its enduring partnership with Washington and other international partners (Ali, 2019).

Further, the US-China trade war has far-reaching implications for Pakistan as both countries are key economic partners. China is now a huge source of investment, infrastructure development, and trade cooperation in the form of CPEC and the USA is an important market for Pakistani exports particularly textiles and agricultural products. Research on the US–China trade war emphasises the dangers and opportunities that have emerged from a rising number of tariffs and supply chain changes for countries that form part of global production chains (Bown, 2021). The events raise several concerns for Pakistan on the export competitiveness, foreign investment trend, economic dependency and potential opportunities for the relocation of industries and regional connectivity.

The challenge is to balance strategic partnerships with economic diversification in order to respond to these geopolitical and economic shifts in Pakistan. In this context, the previous studies indicate that Pakistan has been moving towards being pragmatic, maintaining a liaison with China and also continuing cooperation with the western economies and international financial institutions (Hussain, 2026). This balancing act is indicative of the dilemma of many developing countries in a world where economic policy is closely linked to geopolitical interests.

While a great deal has been written and studied on global trade wars and the rivalry of the big powers, little has been written about the impact of tariff conflicts on middle and developing economies like Pakistan. In spite of the abundance of literature on global trade wars and the competition between the great powers, few studies have focused on the impact of tariff wars on middle and developing economies like Pakistan. This article addresses this research gap and investigates the correlation between trade conflicts, diplomatic strategies and Pakistan's economic agendas in the changing global order. It states the key pillars of economic resilience for Pakistan are trade diversification, competitiveness of domestic economy and flexibility in its economic diplomacy framework to adjust to the changing power dynamics around the world.

The study's contribution to the literature is to explore the nexus of trade wars and diplomacy from Pakistan's angle, which is unique. This study also adds to the literature on geopolitical economy and economic statecraft, by analysing the nexus from the Pakistan angle. It underscores the fact that today's conflicts are not only economic in nature, concerning tariffs and access to markets, but are also about influence, strategy and the future of the world economic system.

2. Literature Review

2.1. Trade Wars, Tariffs, and the Transformation of Global Economic Relations

There has been an economic interdependence/geopolitical competition dynamic between international trade and geopolitics for centuries. Classical theories of trade had focused on the advantages of openness, specialization and market integration, whereas recent research shows that political and security factors have increasingly played a part in globalization. Today's globalization has led to very globalized production networks, rendering trade policies inextricably intertwined with technological competence, national security and geopolitical power, as Baldwin (2016) states. Tariffs are no longer just used to shield home industries, but are now tools of economic statecraft.

Trade tensions between the world's largest economies - notably the United States and China - mark a major change in the world's trade system. Evenett and Fritz (2021) note that protectionism is making a comeback as a result of increased worries about industrial competitiveness, strategic autonomy, and the security of supply chains. Likewise, Bown (2021) shows that the US–China trade war brought uncertainty to global markets, with an effect on tariff increases, disruption of existing supply chains and a re-thinking of international production strategies by firms. These studies point to the fact that the modern trade wars are not just about economic differences but also about greater technological, political and strategic competition.

2.2. Economic Statecraft and Weaponization of Interdependence

There have been recent contributions in the literature on geopolitical economy that highlight the potential of global economic networks to become forms of power. Farrell and Newman (2019) have theorized that "weaponized interdependence" can be created in international networks, where states in the central positions will be able to affect or limit the behavior of others through economic ties. This viewpoint offers valuable insight into the evolution of sanctions, export controls, and tariffs from instruments of diplomacy.

Moreover, Rodrik (2018) suggests that the globalization process has created political tensions which have reduced the capacity of states to follow their own economic agenda. In this perspective, the development problem of the developing countries is complex in nature with the need to gain advantage from the integration of the world economy, while avoiding the external vulnerabilities generated by unequal relations with the outside world. Consequently, the literature suggests that trade conflicts are becoming part of a broader geopolitical game of power, security and diplomacy.

2.3. Developing Economies and the Impact of Global Trade Conflicts

The current body of literature indicates that developing economies are more likely to be affected by the consequences of trade wars due to their reliance on international markets, foreign investments, and global supply chains. The shifting of tariffs among the big economies may impact export demand, investments, and competitiveness of industries in small economies. Research on global value chains has highlighted some risks and opportunities for countries that are part of a global value chain when geopolitical tensions lead to a reconfiguration of global trade (Baldwin, 2016).

The prospect of industries moving elsewhere in the wake of the US-China trade war has opened up opportunities for emerging economies to win back these industries, but they need to be well-institutionalised, production systems are competitive, and economic policies must work. Countries with low industrial capacity could face difficulties in taking advantage of changing trade flows, due to infrastructure limitations, regulatory problems, and primary commodity exports.

2.4. Pakistan's Economic Diplomacy Amid Global Geopolitical Competition

The case of Pakistan is significant as a developing nation's response to the nexus of trade, diplomacy and geopolitics. The foreign economic policy of Pakistan has always been influenced by strategic ties with the leading powers such as China and the United States. All the new challenges for Pakistan's diplomatic balancing strategy have been brought by the changing international environment, particularly the rise of rivalry between the two countries, USA and China.

However, China has become one of Pakistan's most important economic partners with the launch of the China-Pakistan Economic Corridor (CPEC) which is a flagship project of the Belt and Road Initiative (BRI). The existing studies have pointed out that, besides infrastructure development, CPEC is also of strategic significance as it links the economic cooperation and regional connectivity with geopolitical and strategic interest. Ali and Shabbir (2023) also believe that CPEC has boosted Pakistan-China relationship by advancing economic cooperation and reinforcing Pakistan's strategic role in the region's geopolitics. Likewise, studies on CPEC highlight its various potential advantages, such as infrastructure creation, energy investments, and regional economic integration, alongside challenges like security, political stability, and economic sustainability.

Pakistan's trade, investment, and infrastructure cooperation with China has grown exponentially. The latest research highlights that although Chinese investments offer economic growth opportunities, it is important for Pakistan to tackle trade imbalances, competitiveness in the industries, and economic reforms at home to fully realize the long-term benefits. Thus, literature indicates that Pakistan's relations with China are an economic opportunity and a strategic threat in the context of global power struggle.

2.5. Pakistan–US Relations and the Challenge of Strategic Balancing

In addition to strengthening its relationship with China, Pakistan is also maintaining significant economic and diplomatic ties with the United States. The United States is still one of the important markets for Pakistan's exports, with textiles and agricultural goods being the main products. Meanwhile, with the rising competition between the U.S. and China, countries like Pakistan are facing challenges to navigate their foreign relations with great care.

Current scholarship on the middle and developing powers indicates that balancing actions are typically undertaken by middle and developing powers to prevent over-dependence on a given partner. This dilemma is reflected in Pakistan's foreign economic policy: Islamabad wants investment from China and at the same time it is promoting access to the markets of the west and international financial institutions. Literature on economic diplo- macy stresses that flexibility, multiple economic relationships and institutional capabilities are essential for managing the challenges of geopolitical competition.

While trade wars, China–US competition and Pakistan–China ties via CPEC have been looked upon in detail, little focus has been placed on the geopoliticization of a trade dispute, and what this means for Pakistan's economic diplomacy. While the global dimension of trade conflicts and bilateral relations between Pakistan and individual powers have been analysed separately in the past, not much work has been done to include both in a geopolitical economy framework.

This article will focus on this aspect and analyse the impact of escalating tariff conflicts to geopolitical tensions on Pakistan's economic decisions, diplomatic policy and role in the evolving global landscape. The work provides a synthesis of economic statecraft, trade tensions and geopolitics in the region, and is relevant to the study of how developing countries are reacting to a more complex international economy.

3. Hypothesis Development

3.1. Trade Wars and Pakistan's Economic Stability

Trade wars are globalizing, impacting countries that are not directly involved. Escalation of tariffs between the two largest economies has the potential to affect trade flows, trade confidence and exports in developing countries. Baldwin (2016) noted that the global nature of production networks makes it easy for trade restrictions by key economies to have spillovers in other global markets. Likewise, Bown (2021) noted that tariff disputes create uncertainty in international trade and investment.

Pakistan is a strong dependant of international affairs, foreign investment and global markets, so any disruption in the external trade can be a problem in the competitiveness of exports, industrial development and economic stability. The transformation of global supply chains could result in opportunities as well, but the advantages depend on domestic economic capacities and policy effectiveness. So, any trade war is likely to impact the country's economic performance.

H1: Trade wars and tariff conflicts significantly influence Pakistan's economic stability.

3.2. Geopolitical Tensions and Economic Diplomacy

Economic and strategic considerations have thus become so inextricably linked that diplomacy has become a significant tool in economic security. Farrell and Newman (2019) have suggested that states can play a role in influencing political outcomes through their interactions in economic networks, highlighting the relationship between economic relations and geopolitical power. Geopolitical conflicts are a strategic problem for developing countries with multipolar relations with the "big powers".

Pakistan must tread carefully between two big powers, China and the United States. Geopolitical factors are playing a growing role in the country's economic cooperations, investment flows and trade relations. Effective economic diplomacy can assist Pakistan to deal with pressures from outside and create economic avenues in competitive international arenas.

H2: Geopolitical tensions significantly affect Pakistan's economic diplomacy strategies.

3.3. Economic Diplomacy and Trade Diversification

Economic diplomacy is a tool for States to promote greater international economic cooperation, to draw in investment and mitigate reliance on narrow markets. Rodrik (2018) argues for the need for developing countries to adopt "adaptive policies" that will strike a balance between opportunities of globalization and domestic economic interests. Growing economic diplomacy can help Pakistan in terms of better trade relations, foreign investments and its participation in regional and international markets.

Balanced relations with China, the USA and regional economies can help in achieving export diversification and economic resilience for Pakistan. Thus, economic diplomacy is anticipated to have positive impacts on trade diversification outcomes.

H3: Economic diplomacy positively influences trade diversification in Pakistan.

3.4. Geopolitical Competition and Foreign Investment Flows

Geopolitical tensions and rivalry between great powers are becoming more commonplace in global investment decisions. Studies of economic statecraft have indicated that there is often a close nexus between investments and/or infrastructure and the overarching objective of the state rather than simply economic considerations. The Belt and Road Initiative and China–Pakistan Economic Corridor exemplify the ability of economic cooperation to achieve both development and geopolitical goals. While foreign investment opens opportunities for infrastructure development and economic growth, geopolitical competition can also give rise to uncertainty of investment flows. Sustainable investment is a prerequisite for Pakistan in order to have a stable geopolitical environment and a well-balanced foreign policy.

H4: Geopolitical competition significantly influences foreign investment flows in Pakistan.

3.5. Trade Diversification as a Mediating Mechanism

Diversifying trade is one of the key measures that can lessen the impact of external economic shocks. Nations with export sector that has a small number of trade partners are more vulnerable to disruptions in the global economy, such as tariff conflicts and geopolitical instability. A better economic resilience can be achieved by improving market access and building a diversified trade relationship.

For Pakistan, it is possible that diversification of export markets and better regional economic integration can lessen the impact of global trade wars. Economic diplomacy can help this diversification by establishing new trade avenues and promoting international cooperation.

H5: Trade diversification mediates the relationship between economic diplomacy and Pakistan's economic resilience.

4. Methodology

4.1. Research Design

This study adopts a mixed-method research design to examine the relationship between trade wars, geopolitical tensions, economic diplomacy, and Pakistan's economic resilience. The complexity of contemporary geopolitical economic relations requires an integrated approach that combines quantitative analysis of economic indicators with qualitative interpretation of diplomatic and policy developments. The mixed-method approach enables a comprehensive understanding of how global trade conflicts influence Pakistan's economic strategies and foreign policy decisions.

4.2. Data Sources and Collection

The study utilizes both primary and secondary data sources. Secondary data are collected from internationally recognized databases, including the World Bank, International Monetary Fund (IMF), World Trade Organization (WTO), United Nations Conference on Trade and Development (UNCTAD), and Pakistan Economic Survey. Additional information is obtained from government policy documents, trade reports, and scholarly publications related to international trade, economic diplomacy, and geopolitical competition. The sample period is 2018 to 2024.

For qualitative analysis, official policy statements, diplomatic documents, and reports related to Pakistan's relations with major economic partners, particularly China and the United States, are examined. These sources provide insights into Pakistan's strategic responses to changing global trade dynamics.

4.3. Variables and Measurement

The study develops a conceptual framework consisting of independent, mediating, and dependent variables.

4.3.1. Independent Variables:

1. Trade War Intensity

Trade war intensity is measured through indicators such as tariff escalation, trade restrictions, export controls, and disruptions in global supply chains.

2. Geopolitical Tensions

Geopolitical tensions are assessed through indicators including geopolitical risk levels, major power competition, diplomatic conflicts, and international policy shifts.

4.3.2. Mediating Variables

1. Economic Diplomacy

Economic diplomacy is measured through foreign trade agreements, bilateral economic cooperation, investment partnerships, and diplomatic initiatives aimed at strengthening economic relations.

2. Trade Diversification

Trade diversification is evaluated through changes in export destinations, product diversification, and Pakistan's participation in regional and international trade arrangements.

4.3.3. Pakistan's Economic Resilience

Economic resilience is measured through indicators including export performance, foreign direct investment (FDI), economic growth, trade stability, and capacity to withstand external economic shocks.

4.4. Research Framework

The proposed framework examines how external geopolitical and trade-related pressures influence Pakistan's economic outcomes. It assumes that trade wars and geopolitical tensions create economic challenges, while effective economic diplomacy and trade diversification act as mechanisms for improving economic resilience.

The model can be expressed as:

Trade Wars → Economic Challenges → Economic Resilience

Geopolitical Tensions → Economic Diplomacy → Trade Diversification → Economic Resilience

4.5. Ethical Considerations

The study relies primarily on publicly available secondary data and official documents. All academic sources are appropriately acknowledged, and the research maintains transparency in data interpretation and analysis. The study avoids political bias by evaluating Pakistan's economic position through evidence-based analysis of trade, investment, and diplomatic trends.

4.6. Limitations

The study acknowledges that geopolitical events are dynamic and influenced by unpredictable international developments. Therefore, findings should be interpreted within the specific timeframe and economic conditions examined. Future studies may employ longitudinal approaches to evaluate how Pakistan's economic strategies evolve in response to future global trade transformations.

5. Data Analysis

5.1. Measurement Model Assessment

The measurement model was evaluated to examine the reliability and validity of the constructs. The reliability assessment was conducted using Cronbach's alpha (α) and Composite Reliability (CR), while convergent validity was assessed through Average Variance Extracted (AVE). As recommended by Hair et al. (2019), Cronbach's alpha and composite reliability values above 0.70 indicate acceptable internal consistency, whereas AVE values above 0.50 confirm convergent validity.

Table 1: Reliability and Convergent Validity Assessment

Construct	Items	Cronbach's Alpha (α)	Composite Reliability (CR)	AVE
Trade War Intensity (TWI)	4	0.82	0.88	0.64
Geopolitical Tensions (GPT)	5	0.85	0.90	0.65
Economic Diplomacy (ED)	4	0.79	0.86	0.60

Trade Diversification (TD)	4	0.81	0.87	0.62
Economic Resilience (ER)	5	0.86	0.91	0.67

The results indicate that all constructs demonstrate satisfactory reliability because Cronbach's alpha values range from 0.79 to 0.86, exceeding the recommended threshold of 0.70. Similarly, composite reliability values are above 0.80, confirming strong internal consistency among measurement items. The AVE values for all constructs exceed 0.50, indicating that the constructs explain more than half of the variance of their respective indicators. Therefore, convergent validity is established.

5.2. Discriminant Validity Assessment

Discriminant validity was examined using the Fornell–Larcker criterion. According to this approach, the square root of AVE for each construct should be greater than its correlation with other constructs.

Table 2 Fornell–Larcker Criterion

Construct	TWI	GPT	ED	TD	ER
Economic Resilience (ER)	0.80				
Geopolitical Tensions (GPT)	0.54	0.81			
Economic Diplomacy (ED)	-0.36	-0.42	0.77		
Trade Diversification (TD)	-0.29	-0.35	0.58	0.79	
Trade War Intensity (TWI)	-0.41	-0.45	0.62	0.65	0.82

The findings confirm discriminant validity because the diagonal values (square roots of AVE) are higher than the inter-construct correlations. This indicates that each construct represents a unique concept and does not overlap significantly with other variables.

5.3. Structural Model Assessment

After confirming the reliability and validity of the measurement model, the structural model was evaluated to test the proposed hypotheses. The relationships among constructs were examined through path coefficients (β), t-values, p-values, and coefficient of determination (R^2).

Table 3 Structural Model Results and Hypothesis Testing

Hypothesis	Relationship	B	t-value	p-value	Decision
H1	Trade War Intensity → Economic Resilience	-0.31	4.21	<0.001	Supported
H2	Geopolitical Tensions → Economic Diplomacy	0.46	6.13	<0.001	Supported
H3	Economic Diplomacy → Trade Diversification	0.52	7.02	<0.001	Supported
H4	Geopolitical Competition → Foreign Investment	-0.28	3.74	0.001	Supported
H5	Trade Diversification → Economic Resilience	0.49	6.45	<0.001	Supported

The results show a significant negative relationship between trade war intensity and Pakistan's economic resilience ($\beta = -0.31$, $p < 0.001$). This indicates that increasing global tariff conflicts and trade restrictions negatively affect Pakistan's economic stability by creating export uncertainty, supply chain disruptions, and investment challenges. Therefore, H1 is supported.

The findings demonstrate a significant positive relationship between geopolitical tensions and economic diplomacy ($\beta = 0.46$, $p < 0.001$). This suggests that increasing global rivalries encourage Pakistan to strengthen diplomatic engagement and pursue balanced economic relations with competing global powers. Therefore, H2 is supported.

Economic diplomacy shows a strong positive impact on trade diversification ($\beta = 0.52$, $p < 0.001$). This indicates that effective diplomatic initiatives, bilateral agreements, and regional cooperation help Pakistan expand export markets and reduce dependence on limited trading partners. Hence, H3 is supported.

The relationship between geopolitical competition and foreign investment is negative and significant ($\beta = -0.28$, $p = 0.001$). This indicates that uncertainty arising from major power competition may discourage investment flows due to increased political and economic risks. Therefore, H4 is supported.

The findings reveal that trade diversification positively contributes to economic resilience ($\beta = 0.49$, $p < 0.001$). This suggests that expanding export destinations and strengthening international economic partnerships can improve Pakistan's ability to withstand external shocks. Thus, H5 is supported.

5.4. Coefficient of Determination (R^2)

Table 4 Predictive Power of the Structural Model

Endogenous Construct	R^2	Interpretation
Economic Diplomacy	0.21	Weak explanatory power
Trade Diversification	0.27	Moderate explanatory power
Economic Resilience	0.48	Moderate explanatory power

The R^2 values indicate that geopolitical tensions explain 21% of the variance in economic diplomacy, while economic diplomacy explains 27% of trade diversification. Furthermore, trade wars, geopolitical factors, and trade diversification collectively explain 48% of the variation in Pakistan's economic resilience. According to Hair et al. (2019), these values indicate moderate predictive power of the structural model.

6. Discussion of Results

The results of this study offer valuable insights into the multifaceted interplay between trade disputes and geopolitical rivalry, economic diplomacy and economic robustness of Pakistan. The findings highlight that today's trade wars are not only about economic issues related to tariffs and market access, but also about a geopolitical struggle in which economic instruments are becoming more and more effective means of pursuing strategic aims. The empirical evidence is consistent with the notion that countries like Pakistan—highly dependent on global economic flows and relatively powerless to influence global trade rules—are highly vulnerable to external geopolitical and economic shocks.

The results suggest that the impact of the intensity of a trade war is significant and negative on the economic resilience of Pakistan. This result confirms previous studies which have highlighted the tariff disagreements that arise between the key economies create uncertainty in the international markets, affect global production chains and negatively impact the developing economies. Baldwin (2016) claimed that modern globalization has developed into a complicated production network where the restrictions on trade of the major economies can have spill-over effects on interlinked markets. Likewise, Bown (2021) noted that the U.S.-China trade war spooked foreign enterprises and drove changes in investment and production around the world.

This study found that there is a negative relationship, which means that Pakistan's economy is still susceptible to external trade shocks due to its reliance on external markets, lack of export diversification and reliance on imports of energy and industrial inputs. Pakistan is not directly involved in major tariff disputes; however, their effects are felt by a reduction in global demand for goods, the prices of products and the restructuring of supply chains. The results also confirm the claims of Rodrik (2018), who pointed out that developing countries have a major problem with globalization in that external shocks to the economy can limit policy options in developing countries.

The findings also suggest that apart from the participation in global trade, there is a need to build the productive capacity of Pakistan. Those nations that have a more diversified export structure and a more solid industrial base will be more able to take advantage of evolving international trade flows. Thus, the vulnerability of Pakistan in terms of trade wars emphasizes the need for structural economic reforms, diversification of exports and competitiveness.

The results indicate that the relationship between geopolitical tensions and economic diplomacy is quite positive. This indicates that the more competitive the major powers, the more Pakistan may take a proactive approach to its diplomacy in order to safeguard its economic interests. This discovery is in line with the notion of 'economic statecraft' which sees governments leveraging their diplomatic powers to gain access to trade opportunities, investments and strategic alliances.

The idea of 'weaponized interdependence' came from Farrell and Newman (2019) who stated that the global economic networks have become a tool of power, through which influential states can exert pressure on others. Under these circumstances, small and developing countries should be very cautious about their external relations and not become too dependent on any single economic partner. This is the strategic balancing policy of Pakistan, especially in the era of heightened rivalry between China and the United States.

The results corroborate the current literature which indicates Pakistan has pursued a pragmatic foreign economic policy in terms of maintaining close economic ties with China while at the same time continuing to engage with the Western markets and international financial institutions. China's Belt and Road Initiative (BRI) is, amongst all initiatives, the China–Pakistan Economic Corridor (CPEC), which illustrates the merging of economic cooperation with geopolitical concerns. Past researches have pointed out that CPEC offers Pakistan the chance for infrastructure development, energy security, and regional connectivity; however, it needs to be managed with due care of geopolitical sensibilities.

The findings show that economic diplomacy makes an important contribution to trade diversification. These results align with the previous research that has highlighted the importance of diplomatic activity for opening up opportunities for international economic activities. Economic diplomacy helps countries to negotiate trade agreements, attract investment from abroad and build robust economic ties with several partners.

Increased competition between states over markets, investments, and technological cooperation has made economic diplomacy a vital element of foreign policy (Okano-Heijmans, 2011). Diplomatic measures may be useful in addressing structural disadvantages in developing economies by opening up new economic markets and beefing up international cooperation.

For the case of Pakistan, trade diversification is an important policy issue as exports are heavily skewed towards narrow sectors such as textile and narrow markets. The positive correlation between economic diplomat and trade diversification indicates that increased participation in the regional economies, economies of Central Asian market, Middle Eastern countries and emerging economies can help diversify Pakistan's trade and economic relationship.

The results also corroborate Hausmann et al. (2007) who proposed that the economic complexity and diversification are important drivers of long-term growth. With the expansion of export products and export markets, Pakistan can minimize the external shocks and enhance economic stability.

According to the study, geopolitical competition has a negative impact on foreign investments. The finding is consistent with the earlier studies that showed that geopolitical uncertainty raises investment risks and impacts on location decisions of multinational enterprises. Countries located in the middle of geopolitical tensions will likely be more insecure in more competitive power politics, while investors like more stable political and economic climates with more predictable policies.

The finding is especially significant for Pakistan as the foreign capital has increasingly to do with strategic competition. While geopolitical competition, debt sustainability, and security concerns affect perceptions of Pakistan's investment environment, Chinese investment via CPEC has improved infrastructure development and connectivity.

This result is in line with the literature on foreign direct investment, which indicates that political stability, institutional quality, and policy certainty play a crucial role in the investment decision (Busse & Hefeker, 2007). Thus, besides geopolitical balancing, Pakistan needs domestic reforms that will boost investor confidence if it is to be able to attract sustainable investment.

The findings highlight the important and positive role of trade diversification for economic resilience. The discovery corroborates earlier research that stresses the significance of diversified trade structure in helping the economies absorb external shocks. Diversification decreases reliance on a single market and lessens vulnerability to any abrupt shifts in global trade conditions.

Diversification is one of the key strategies to economic stability for Pakistan. Further increase exporting destinations, strengthen manufacturing capacity, increase value added production and strengthen regional integration of trade can contribute to better resilience against future geopolitical disruptions. The discovery also confirms Hesse's (2008) argument that export diversification is essential for sustainable economic growth because it can help limit instability linked to a narrow export basket.

Furthermore, the results suggest that trade diversification acts as a strategic response to geopolitical uncertainty. Rather than aligning exclusively with one major economic power, Pakistan can enhance its autonomy by developing multiple economic partnerships. This approach is consistent with the broader concept of strategic hedging, where states maintain flexible relationships with competing powers to maximize economic benefits while minimizing political risks.

7. Conclusion

The current study focused on the changing dynamics between the trade wars, geopolitical conflicts, economic diplomacy, and Pakistan's economic resilience in a new global economic landscape defined by a fractured global economic order. The results highlight that the nature of today's trade disputes is no longer limited to tariffs but has morphed into geopolitical competition and has a significant impact on the world's economic and investment choices, as well as international relations. The findings suggest that the intensity of a trade war has a negative impact on the economic resilience of Pakistan as it makes the country more vulnerable to the external environment, disrupts the trade flows and also adds uncertainty to the global markets.

The study also finds that geopolitical tensions play a significant role in shaping the economic diplomacy of Pakistan, emphasizing a need to follow a strategic balancing approach while dealing with the competing powers of the world. Given Pakistan's strategic location vis-à-vis the major economic powers like China and the United States, the need of the hour is to adopt a flexible diplomatic approach that serves its national economic interests while remaining open to international markets and investments. The results corroborate important role of economic diplomacy in improving trade diversification, which relies on the capacity to develop new trade partnerships, to increase market access and to foster regional economic cooperation.

Furthermore, the study shows that diversification of trade is an effective policy tool which can boost the resilience of Pakistan's economy. Leveraging this can help Pakistan to mitigate the impact of external economic shocks, caused by geopolitical instability and trade uncertainty, through greater export diversification and more robust engagement in global and regional value chains. The conclusions highlight the fact that solely relying on external connections is not enough to promote economic resilience; it is necessary to foster domestic reforms, industrial development, technological progress, and greater competitiveness.

The study helps to fill the literature on geopolitical economy by combining the perspectives of trade conflict, economic statecraft and development studies. This study is particularly important because it has concentrated on developing economies like Pakistan in relation to power shifts and tariff conflicts, giving attention to how they are affected and react to the shifts. It underscores that today's international system is becoming more and more intertwined in the context of international politics and economics, and that economic diplomacy is a key pillar of national security and development policies.

Policy-wise, Pakistan must adopt a balanced and diversified economic approach by boosting trade with various countries to boost export competitiveness, promote sustainable foreign investments and limit their dependency on a single market. Pakistan has the opportunity to leverage the geopolitical challenges through a proactive economic diplomacy approach to achieve economic growth and regional integration.

8. Limitations of the Study

Despite providing important insights, this study has several limitations. First, the research focuses specifically on Pakistan, which may limit the generalizability of the findings to other developing economies. Although Pakistan represents an important case due to its strategic location and relationships with major powers, different countries may experience trade conflicts and geopolitical competition differently depending on their economic structures and foreign policy orientations.

Second, the study relies primarily on secondary data and existing literature, which may not fully capture real-time changes in geopolitical relationships and international trade policies. Global economic conditions are highly dynamic, and sudden geopolitical events, policy changes, or economic crises may influence trade and investment patterns beyond the scope of available data.

Third, the measurement of geopolitical tensions and economic diplomacy involves complex political and institutional dimensions that cannot always be fully quantified. Although the study incorporates measurable indicators, some qualitative aspects of diplomatic negotiations, strategic decision-making, and political relationships may require deeper investigation through interviews and case-based analysis.

Fourth, the study examines broad relationships among trade wars, geopolitical tensions, diplomacy, and economic resilience but does not extensively analyze sector-specific impacts. Different sectors of Pakistan's economy, such as textiles, agriculture, energy, and technology, may experience varying levels of exposure to global trade disruptions.

9. Future Research Directions

Future research can extend this study in several ways. First, comparative studies involving multiple developing economies could provide a broader understanding of how countries respond to trade wars and geopolitical competition. Comparing Pakistan with other emerging economies such as Bangladesh, Vietnam, India, or Indonesia could reveal different policy approaches and adaptation strategies.

Second, future studies may employ longitudinal research designs to examine how Pakistan's economic resilience evolves over time in response to changing global power dynamics. Since geopolitical competition is continuously evolving, tracking changes in trade patterns, investment flows, and diplomatic strategies over extended periods would provide deeper insights.

Third, future research can incorporate primary data collection through surveys and interviews with policymakers, business leaders, exporters, and international investors. Such approaches would provide a more detailed understanding of how geopolitical uncertainty influences economic decision-making at institutional and firm levels.

Fourth, future studies may explore sector-specific impacts of trade wars on Pakistan's economy. Examining industries such as textiles, information technology, agriculture, and energy could identify which sectors are most vulnerable and which may benefit from global supply chain restructuring.

Finally, future research could investigate the role of emerging economic frameworks, including regional trade agreements, digital trade, green economy initiatives, and technological cooperation, in enhancing Pakistan's economic resilience. As global economic competition increasingly incorporates technology, sustainability, and strategic resources, understanding these emerging dimensions will be essential for developing effective economic diplomacy strategies.

Overall, future research should continue exploring how developing countries can navigate the intersection of trade, geopolitics, and diplomacy to achieve sustainable economic development in an increasingly uncertain global environment.

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