

An Analysis of U.S. Tariff Barriers Impacting Pakistan's Trade

Policy Recommendations

- **Tariff Rationalization:** As a first step, Pakistan should offer tariff concessions to the U.S. similar to those granted to other countries under existing trade agreements. Additionally, a comprehensive stakeholder consultation should be conducted to explore further market access opportunities for the U.S. Moreover, revising tariffs on essential raw materials and intermediate goods—especially for industries that heavily rely on imported inputs—would help mitigate potential disruptions to the domestic economy. These adjustments could not only strengthen trade relations with the U.S. but also lead to reciprocal tariff reductions.
- **Global Trade Cooperation:** Pakistan should actively collaborate with other nations facing similar tariff challenges, such as Bangladesh and Vietnam, to formulate a multilateral response to U.S. tariffs. This approach could involve coordinated advocacy at international trade forums, such as the World Trade Organization (WTO), to mitigate the broader global impact of U.S. tariff policies and promote fairer trade practices.
- **Streamlining SRO Process for Improved Transparency:** Pakistan's use of Statutory Regulatory Orders (SROs) has been cited as a barrier. Streamlining the process for issuing SROs, with proper consultations, could improve the transparency of Pakistan's trade policies. This would build trust with international investors and make the business environment more predictable.

- **Diplomatic Engagements:** Diplomatic efforts should focus on negotiating the reduction of tariffs or seeking tariff concessions in exchange for sourcing some raw materials from the USA.
- **Diversification of Export Markets:** Pakistan should work on diversifying its export markets to reduce dependency on the U.S. market. Establishing trade agreements with emerging economies such as Africa or the Central Asian Republics (CARs), or reinforcing existing partnerships, like those with China or the Middle East, could mitigate the risks of trade losses due to tariff hikes.
- **Enhancing Pakistan's Export Competitiveness:** Pakistan should leverage its competitive advantage in sectors like wearing apparel, woven fabrics, food products, and non-metal wastes where tariff increases are lower compared to Vietnam and Bangladesh. In textile yarn & thread and carpets, despite higher tariffs, Pakistan still holds an edge over Vietnam. Additionally, sectors such as medical equipment, plastics, and rubber tyres benefit from smaller tariff hikes, offering growth potential. By focusing on these sectors, Pakistan can enhance its export basket and capture greater market share.
- **Tackling U.S. Tariff Equivalent of NTBs:** To address the U.S. claim of a 58% tariff burden, which includes the tariff equivalent of 14 non-tariff barriers (NTBs) categories provided by USA, Pakistan should streamline customs procedures, simplify documentation, and align regulations with international standards. A thorough review of the identified NTBs and improvements in procedural efficiency will reduce trade barriers, enhance market access, and foster stronger bilateral trade with the U.S.

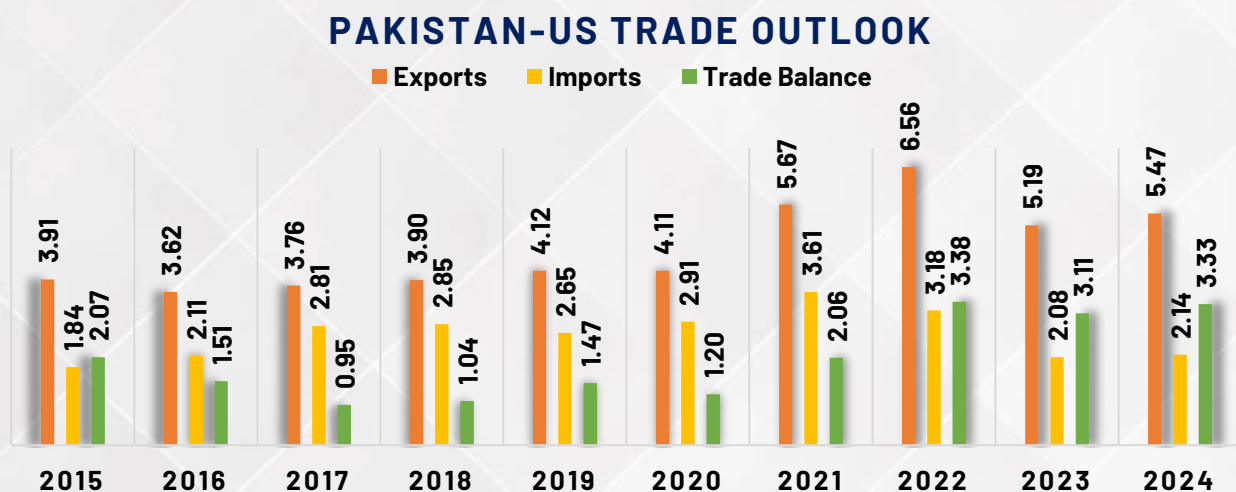
1. Trade Outlook of Pakistan's Exports to the United States

In 2024, the United States remains a pivotal market for Pakistan's exports, standing as the largest single-country destination for Pakistani goods. Pakistan's exports to the US totaled \$5.47 billion, which accounts for 17% of the country's overall exports. This figure also contributed to a notable trade surplus of \$3.33 billion. Moreover, Pakistan's share in total US imports is marginal, making up just 0.1% of the total imports to the US during the same year.

Similarly, in 2024, US exports to Pakistan amounted to \$2.14 billion. Key US exports to Pakistan include cotton, iron scrap, and machinery. Notably, disruptions in US soybean exports to Pakistan in 2022 have been resolved, and the resolution of issues surrounding genetically modified food is expected to lead to an increase in soybean exports to Pakistan.

Although Pakistan's exports to the U.S. have exhibited fluctuating trends over the past decade, with projections indicating exports could reach \$6 billion by the end of 2025, the imposition of the reciprocal tariff introduces uncertainty into this outlook.

Figure 1 Trend of Pakistan's Trade Statistics



Source: Trade Map

2. Pakistan-USA Sectoral Trade Composition

The trade relationship between Pakistan and the USA reveals that Pakistan exports a limited mix of goods, primarily dominated by textiles, while imports are more diversified, focusing on industrial products. This imbalance highlights Pakistan's heavy reliance on textile exports, with minimal diversification in its export portfolio.

Textiles account for the majority of Pakistan's exports to the USA, making up 77% of the total export volume. The total value of textile and textile articles exported amounts to USD 4.18 billion, making it by far the most significant category in terms of trade value.

This highlights Pakistan's strong presence in the textile sector, which includes clothing, fabrics, and other textile goods, a major contributor to the country's overall export economy. Other notable categories include raw hides and skins, leather, and fur skins (3%) and vegetable products (2%). These figures suggest that Pakistan is primarily exporting textile, agricultural and primary products, with limited value-added products making up a large share of the exports.

Pakistan's imports from the USA are more diversified across various sectors, with textile (38%), base metals (22%) and machinery & mechanical appliances (9%), being the highest contributors. Moreover, Chemical and allied industries (6%) and transport equipment (5%) are also significant categories, showing the need for specialized industrial and transport-related imports. This indicates that Pakistan relies heavily on the USA for machinery, and metal products, which are essential for its industrial production and infrastructure. The table below shows the sectoral trade composition between Pakistan and USA.

Table 1 Sectoral Trade Stats - Pakistan-USA

S. No	Category	Tariff Applied by Pakistan	Pak Exports to USA		Pak Imports from USA	
			USD Mn	% Share	USD Mn	% Share
01	Animals & Products	0-20	10.87	0%	13.49	1%
02	Vegetable Products	0-20, Rs. 600/KG	111.46	2%	66.07	3%
03	Animal or Vegetable Fats	3-20, Rs. 5k-16.8k/kg	0.41	0%	0.34	0%
04	Prepared Foodstuffs	3-90,	96.49	2%	14.23	1%
05	Mineral Products	0-20	105.39	2%	92.87	4%
06	Chemical & Industries	0-20, Rs. 5/m	14.83	0%	130.94	6%
07	Plastics and Rubbers	0-35	170.79	3%	38.67	2%
08	Raw Hides & Leather..	0-20	189.87	3%	3.13	0%
09	Wood & Wood Products	0-20	0.81	0%	28.59	1%
10	Pulp of Wood; Paper and	0-20	3.99	0%	55.90	3%
11	Textile & Textile Articles	0-20	4,184.72	77%	817.80	38%
12	Footwear and Headgear	20	20.36	0%	0.15	0%
13	Articles of stone, Glass	0-35	5.83	0%	2.34	0%
14	Natural / Cultured Pearls	0-11, Rs. 0.12k-2.5k/kg	17.90	0%	12.15	1%
15	Base Metals and Articles	0-35	60.56	1%	477.80	22%
16	Machinery & Mechanical	0-35, Rs. 0.25k/u	26.73	0%	184.02	9%
17	Transport Equipment	0-100	5.45	0%	102.60	5%
18	Optical, Photographic,	0-35	143.67	3%	53.72	3%
19	Arms and Ammunition	16-20	1.14	0%	2.57	0%
20	Miscel. Manufactures,	3-35	291.59	5%	37.78	2%
21	Works of Art,	3	3.43	0%	0.01	0%
Total	-		5,466.29	100%	2,135.15	100%

Source: Trade Map

Note: The tariff range is based on the PCT codes for the fiscal year 2024-25

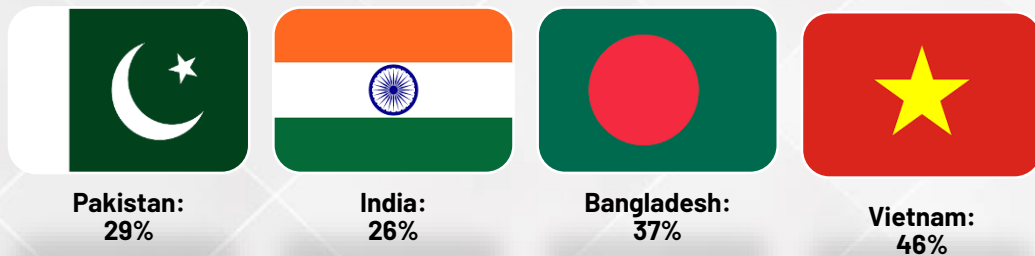
The trade surplus of over USD 3.3 billion underscores the strength of Pakistan's export sector, particularly textiles. However, this surplus also exposes the country's reliance on a limited number of sectors, such as textiles, which could make it susceptible to fluctuations in global demand or changes in trade policies that affect this crucial industry. With the swift evolution of U.S. foreign policy and trade patterns under Trump's administration, the lack of export diversification may threaten Pakistan's unique trade surplus with the U.S., in contrast to other nations.

3. U.S. Reciprocal Tariff Policy Announcement

The recent announcement by U.S. President Donald Trump on reciprocal tariffs has triggered global economic volatility, with declining commodity prices and investors turning to safe-haven assets like gold. Trump emphasized concerns over the U.S. subsidizing foreign economies, arguing that trade partners must take greater responsibility. As part of this policy, Pakistan is among 60 countries facing increased tariffs. Its exports to the U.S. are now subject to a 29% tariff, a retaliatory measure against Pakistan's 58% tariff on U.S. goods, as claimed by the U.S. government.

Compared to its regional competitors, Pakistan's tariff rate is slightly higher than India's (26%) but lower than Bangladesh (37%) and Vietnam (46%). While this offers some competitive edge, the tariff hike could still undermine Pakistan's price competitiveness, particularly against India. The figure below illustrates the tariff impact on Pakistan and its competitors.

Figure 2 Reciprocal Tariff Applied by USA



Source: Executive Order

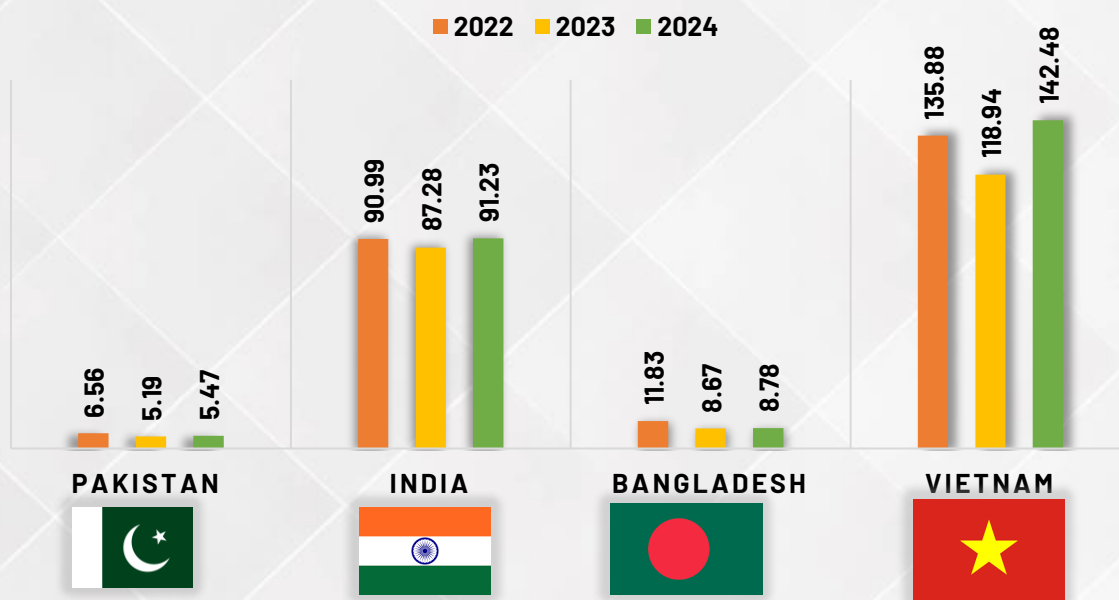
4. Export Trends and Regional Performance

The comparative export performance of Pakistan, India, Bangladesh, and Vietnam to USA from 2022 to 2024 highlights key trends and disparities in regional trade dynamics. Pakistan's exports remain significantly lower than its regional counterparts, showing fluctuations from \$6.56 billion in 2022 to \$5.19 billion in 2023, before a slight recovery to \$5.47 billion in 2024. In contrast, India consistently maintains a high export volume, despite a dip in 2023 (\$87.28 billion) before rebounding to \$91.23 billion in 2024. Bangladesh follows a similar trend, declining from \$11.83 billion in 2022 to \$8.67 billion in 2023, before stabilizing at \$8.78 billion in 2024.

Vietnam has emerged as a key trade partner, with exports to the U.S. increasing from \$135.88 billion in 2022 to \$142.48 billion in 2024, despite a temporary dip to \$118.94 billion in 2023. This analysis underscores Pakistan’s limited export competitiveness and market share in global trade, particularly when compared to countries like Vietnam and India. The data indicates that Pakistan requires targeted interventions, such as diversifying its export base, improving trade policies, addressing tariff-related challenges, and enhancing supply chain efficiency to remain competitive in the global market. As the United States increasingly adopts protectionist trade policies, Pakistan faces a growing risk of losing price competitiveness. Without strategic diversification, its export portfolio—heavily reliant on textiles and concentrated in the U.S. market—could experience further decline.

Figure 3 Trend of Export Performance by Selected Countries

COMPARATIVE EXPORT PERFORMANCE OF PEER COUNTRIES (US\$ BN)



Source: Trade Map

5. Sectoral Tariff Increases Relative to Competitors by Selected Countries

While an overall assessment of tariff changes is essential, it is crucial to examine sector-specific tariff increases to grasp the full impact on trade dynamics. The recent U.S. tariff hikes, driven by the reciprocal tariff policy, vary across different industries, influencing trade flows in distinct ways.

This analysis delves into the sectoral tariff increases that Pakistan faces, comparing them with those imposed on key competitors such as India, Bangladesh, and Vietnam.

The following sector-wise analysis is based on the data provided by Global Trade Alert* on Tariff Increase Relative to Competitors (percentage points). The table 2 captures how recent shifts in U.S. tariff policy, have affected market access for Pakistan in comparison to key regional competitors such as India, Bangladesh, and Vietnam.



Wearing Apparel: Pakistan's tariff change of -0.29 percentage points indicates a slight improvement in market access, although it lags behind India, which saw a significant improvement of -4.25 percentage points. Bangladesh and Vietnam experienced substantial increases of 7.63 and 17.45 percentage points, respectively.



Woven Fabrics: Pakistan faced a relative tariff increase of 3.80 percentage points, weakening its competitive position. In contrast, India's increase was lower at 2.46, while Bangladesh (11.88) and Vietnam (18.70) saw much higher increases, further diminishing their competitive standing.



Textile Yarn & Thread of Natural Fibres: Pakistan's tariff increase of 17.73 percentage points was more significant than India's (7.96), but lower than Bangladesh's (9.28) and Vietnam's (29.34), indicating a relatively more negative impact for Pakistan compared to India.



Carpets & Textile Floor Coverings: Pakistan's tariff increase of 7.26 percentage points is relatively lower than Vietnam's (31.84) and Bangladesh's (10.85). India (5.41) experienced a smaller tariff increase, indicating a more favorable position than Pakistan.



Medical & Surgical Equipment: Pakistan's tariff increase of 17.20 percentage points was higher than India's (10.32). While Pakistan's position deteriorated more than India's, it remained relatively stronger compared to Bangladesh.



Food Products: Pakistan's tariff increase of 12.74 percentage points was lower than that of Bangladesh (27.30) and Vietnam (28.09), both of which saw substantial increases. India's (7.60) tariff change was the least negative, positioning India more favorably relative to Pakistan.



Non-Metal Wastes or Scraps: Pakistan faced a tariff increase of 14.58 percentage points, which was higher than India's (9.71). Pakistan's competitive position weakened relative to India, it was still in a relatively better position than Vietnam and Bangladesh.



Plastics in Primary Forms and Rubber Tyres & Tubes: Pakistan's tariff change was minimal at 0.01 percentage points, compared to India (1.86), Bangladesh (0.22), and Vietnam (3.06), who all faced higher increases.



Sports Goods: Pakistan's tariff change of -3.02 percentage points resulted in an improvement, particularly compared to India (-0.91), Bangladesh (3.39), and Vietnam (13.62), all of which experienced greater increases in tariffs, putting them in a worse competitive position than Pakistan.



Footwear Other Than Sports Footwear: Pakistan's relative tariff change of -4.98 percentage points is worse compared to India's more favorable change of -7.97 percentage points.

In terms of tariff increase relative to competitors, India holds a more favorable position than Pakistan. This difference suggests that India has experienced a smaller tariff hike in key sectors, thus maintaining or improving its competitive position relative to its competitors more effectively than Pakistan.

Table 2 Top 20 Sectoral Tariff Increase Relative to Competitors

CPC Code	Category	Pakistan	India	Bangladesh	Vietnam
282	Wearing apparel, except fur apparel	-0.29	-4.25	7.63	17.45
271	Made-up textile articles	1.88	-0.58	6.41	16.96
266	Woven fabrics of cotton	3.80	2.46	11.88	18.70
481	Medical & surgical equipment	17.20	10.32	17.40	28.71
347	Plastics in primary forms	0.01	1.86	0.22	3.06
392	Non-metal wastes or scraps	14.58	9.71	16.86	24.96
239	Food products n.e.c.	12.74	7.60	27.30	28.09
231	Grain mill products	-0.19	-0.59	14.82	16.21
384	Sports goods	-3.02	-0.91	3.39	13.62
272	Carpets & other textile floor coverings	7.26	5.41	10.85	31.84
232	Starches & starch products	10.78	5.03	17.39	21.97
429	Other fabricated metal products	1.54	4.95	5.25	11.00
361	Rubber tyres & tubes	4.68	2.36	-	7.92
163	Precious & semi-precious stones;	5.34	8.56	-	31.71
292	Luggage & handbags;	-1.57	-2.03	5.86	14.41
263	Textile yarn & thread of natural fibres	17.73	7.96	9.28	29.34
162	Salt & pure sodium chloride;	18.62	15.07	-	34.12
267	Woven fabrics of man-made filaments	9.95	4.13	13.29	22.66
382	Jewellery & related articles	7.83	5.99	15.06	20.64
293	Footwear other than sports footwear	-4.98	-7.97	2.40	15.44

Source: Global Trade Alert

Note: The 'Tariff Increase Relative to Competitors (percentage points)' indicator (in the table above) captures the extent to which the U.S. administration's deviation from Most Favoured Nation (MFN) provisions has reshaped relative market access conditions among exporters. It assesses changes in U.S. applied tariff rates across specific product categories, comparing the impact on different trading partners. Positive values denote a relative deterioration in market access—indicating that an exporter now faces higher tariffs compared to its competitors—while negative values suggest an improvement in relative access. This indicator is computed by Global Trade Alert.

6. Conclusion

The evolving trade landscape, shaped by U.S. protectionist policies and reciprocal tariff measures, presents challenges for Pakistan. The 29% tariff on Pakistani goods threatens price competitiveness, especially against India, Bangladesh, and Vietnam. However, higher tariff increases on Vietnam and Bangladesh create opportunities for Pakistan to expand its market share in textiles, food products, and plastics.

To effectively navigate these shifts, Pakistan must adopt a proactive trade strategy that prioritizes export diversification, enhances supply chain efficiency, and strengthens its trade diplomacy efforts. Engaging proactively with U.S. trade officials to discuss potential tariff adjustments is critical in safeguarding Pakistan's market share in the U.S. In addition, by reducing reliance on a narrow export basket, improving production efficiencies, and securing new markets, Pakistan can mitigate the impact of rising tariffs and safeguard its existing exports. Implementing these measures will not only protect the country's trade interests but also position it for greater resilience and competitiveness in the global market.