

Pakistan's Emerging Trade Landscape Amid the 2025 Tariff Turmoil

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In April 2025, Pakistan recently experienced one of the biggest transformations in international trading policies worldwide. During his second presidential term, President Donald Trump introduced drastic “reciprocal” tariffs against both friendly and unfriendly countries to the United States. Higher duties exceeding 29-39% were imposed on Pakistan by the United States as different markets, including China, Bangladesh, and Vietnam, received even more severe tariffs, triggering widespread business alarms during that time in Pakistan’s export sector. The trade protection measures worked reversely to benefit the Pakistani economy because they may open export possibilities for Pakistan in the American market. The current condition of Pakistan’s trade is examined by combining research from think tanks with government statements alongside industry specialist insights that indicate future near-term economic losses will coexist alongside unexpected market benefits. Pakistan’s capacity to succeed within this emerging environment will rely on powerful negotiations, strengthening domestic institutions, and properly identifying available strategic opportunities.

The 2025 Tariff Shock

The Trump administration implemented excessive import tariffs on countries worldwide starting April 2nd, 2025. The tariffs Pakistan faces amount to 29-39 percent, while partner developing countries face greater challenges with duties of 39 percent from Bangladesh, 46 percent from Vietnam, and up to 125 percent from China. The Trump administration imposed these tariffs for multiple reasons, including America’s goal of decreasing its trade deficit, increasing domestic manufacturing, and pressuring countries that benefit significantly from American market openness. Stock exchange investors panicked about export revenue reduction from new duties, which caused Pakistan Stock Exchange (PSX) markets to drop over 2,600 points

almost immediately after the tariffs were declared. The textile industry stands at high risk due to its dominant role in Pakistani exports, which constitute 77 percent of total United States imports. At a time when President Trump introduced the 90-day pause for consideration, he pointed to positive diplomatic relations between governments. The brief pause granted by President Trump allowed the PSX to partially recover its losses and restart examinations about converting the economic crisis into business opportunities for Pakistan.



Forecasts and Potential Export Losses

The short-term benefits of the tariff pause warn economic experts about future adverse financial effects on Pakistan. Research from Lahore School of Economics (LSE) indicates Pakistan will lose between 4.2 billion dollars in export revenue, while forecasts show 0.8 billion dollars in lost sales predicted soon after 2024-25. A different think tank called Tabadlab states that Pakistan's economy would suffer a 564 million-dollar financial strike in 2025-26 following the complete enforcement of these tariffs. However, they estimate the economy could experience a loss exceeding 2 billion dollars in an extreme scenario of Pakistan surrendering market share and enduring declining world demand. The immediate threat from American tariffs is amplified by an analyst prediction that the global economic downturn is driven by mounting trade barriers across major economies, particularly China. International income reduction by one percent corresponds to an estimated 1.445 percent decrease in Pakistani exports to foreign markets because American buyers exhibit price sensitivity.

Trade Diversion: A Surprising Silver Lining

The 2025 tariff wave introduces opportunities that may lead to advantages for Pakistan despite being unfavorable for export businesses. The United States is expected to shift its import orders from China, Vietnam, and Bangladesh to Pakistan because the Pakistani suppliers face lower customs charges of 29-39 percent compared to 39 percent for Bangladesh and 46 percent for Vietnam, and the 125 percent duty on Chinese products.

The market transformation is likely to impact the textile industry strongly due to China, Bangladesh, and Vietnam's leading manufacturing positions in global apparel production. Pakistani producers are still attractive to American retailers and brands after price increases from high tariffs because their products remain affordable. Pakistani exporters can gain market share by striking while U.S.-levied prices remain high. The Diplomat revealed that clothing from China costs more in the U.S. than Pakistani clothing products at present. Additional duties will expand the price difference between competing manufacturers, leading to increased Pakistani factory orders. The government and the private sector can accomplish joint effectiveness, yielding specific product line benefits despite existing tariffs.

Government Response and Negotiations

Prime Minister Shehbaz Sharif brought together high-level authorities as soon as the tariffs were announced. Officials from Pakistan planned to send a strong delegation to Washington to reach better terms in the negotiations. The amount of products Pakistan imports from the U.S. in 2024 stands at 1.87 billion dollars, which provides Islamabad with limited possibilities for applying matching tariff policies. The low American market presence within Pakistan's top five import segments restricts the possibility of "tit-for-tat" tax measures.

Despite the ongoing talks with Washington, the low levels of existing Pakistani tariffs for American products form the core basis for Islamabad's position to reject protectionist accusations. The current high import tariffs between 29-39 percent endanger Pakistan-U.S. economic relations, which historically have had a mutually beneficial impact. The negotiations gain further weight because U.S. firms are interested in Pakistan's valuable mineral resources. Balochistan's copper and gold deposits and critical mineral resources across northern Pakistan present new avenues of collaboration. Pakistan could gain better trade terms through diplomatic collaboration when demonstrating its willingness to invite U.S. mining investment in its mineral sector.

Sectoral Impact: Textiles in the Crosshairs

Pakistan's export economy depends fundamentally on textile production. A 29-39% duty increase on Pakistani textile exports to America would raise their prices to the extent that local manufacturers would lose their historic cost competitiveness. The price advantage of Pakistani products over Vietnamese and Bangladeshi ones diminishes according to the level of their cost-sharing with domestic companies for new tariffs. Analysts predict that when exporters choose to distribute 19-29 percent of increased costs to U.S. buyers, their first-year export decline could amount to between 0.4 and 0.6 billion dollars rather than the more dire estimates of 0.8 billion dollars or more. The careful equilibrium demonstrates why prices need negotiation along with supply chain optimization.

Leveraging Critical Minerals and Diversification

Textile industries receive heavy attention, but industry experts believe Pakistan should abandon traditional clothing production. The chemicals sector, alongside pharmaceuticals, sporting goods, and food exports, currently plays a significant role, presenting opportunities for growth in the U.S. market to decrease the risks of depending heavily on textile exports. Dictated by U.S. officials is their desire to access vital

minerals from Pakistan, such as copper, lithium, and rare earth elements. The systematic exploitation of mineral resources through collaborations with U.S. companies presents Islamabad with an opportunity to increase export variety. This strategy will attract foreign direct investment and minimize the threat tariffs imposed on any particular product group, such as textiles, would pose to overall trade.

The Road Ahead: Challenges and Prospects

The stability of Pakistan's trade sector demands existence beyond luck and bargaining expertise. The competitiveness of Pakistani exports depends on exporters meeting standards for product quality while delivering on time at affordable costs, regardless of rising tariffs. The industrial sector requires state backing through reduced energy expenses, speedy customs operations, and special export encouragement. The following months dedicated to discussions with U.S. officials will serve as a decisive period. Pakistani officials can establish a sustainable trade agreement through careful communication about Pakistan's export vulnerabilities and the successful invention of new economic opportunities including mineral industry participation and enhanced U.S. product entry. Most analysts concur that Pakistan is highly competitive compared to its Asian competitors when measuring U.S. tariff levels, specifically for China, Vietnam, and Bangladesh. The ongoing trade stoppage creates an essential moment for Pakistan to develop long-term exporting prospects with the United States, although this pathway faces substantial obstacles.

The Pakistani economic situation changed dramatically through various events during a short period while presenting opportunities and dangers for the economy. When the U.S. imposed tariff hikes of 29-39 percent, it appeared that the action would result in billions of dollars lost through exports, especially in textiles and apparel markets. The harsher punishments imposed against competitors from the region will lead American orders to redirect toward Pakistani facilities if the government and exporters execute their strategies effectively. The 2025 tariff turmoil is a turning point while acting as a crisis scenario. Pakistan can protect its trade interests through improved diplomatic relations, expanding its export base, and attracting U.S. investments in strategic minerals. Pakistan's commercial development may reach a revolutionary phase through trade negotiations and successfully transitioning competitive pressures into substantial advantages. Pakistan's fate depends on the outcome of its diplomatic response, as this decision will influence economic conditions throughout the forthcoming years.