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ICMA Insight: US Imposes 29% Reciprocal Tariff on Pakistan

ICMA Analysis Shows Pakistan's Textile Sector Faces Short-Term Challenges but Potential Long-Term Opportunities, as Major Competitors Face Higher Tariffs - India and Turkey Now Emerging as Key Rivals



Message from Vice President ICMA and Chairman, Research and Publications Committee

As you may have heard, U.S. President Donald Trump recently announced the imposition of reciprocal tariffs ranging from a minimum of 10% to a maximum of 50% on over 180 countries. Under this new trade policy, Pakistan now faces an additional 29% tariff on exports to USA. While this may make our textiles and apparel products less competitive in the short run, ICMA analysis reveals that Pakistan's exports will remain competitive in the long run compared to other leading regional textile exporters, such as China, Bangladesh, Sri Lanka, Indonesia, Cambodia and Vietnam. This is due to higher tariffs than Pakistan, imposed on these countries by the US Administration.



The ICMA Research and Publications Department has prepared this document, which explains the key aspects of the US Reciprocal Tariff Executive Order, including the formula used to calculate the tariffs. It also examines the potential impact of the 29% tariff on Pakistan, which will be largely affecting the textiles and apparel exports to the USA. The report also suggests options for policymakers to adjust Pakistan's export strategy, focusing not only on the US and EU but also on other important markets. Additionally, there is an opportunity for our government and exporters to explore new export prospects, especially in light of the high tariffs imposed on our competing countries in textiles in the USA.

I hope our members will find this analysis helpful and informative. Please do share your feedback on rp@icmap.com.pk

Muhammad Yasin, FCMA

ICMA Insight on 29% Reciprocal Tariff on Pakistan and the Way Forward

The recent additional 29% reciprocal tariff imposed by US President Donald Trump presents significant challenges for Pakistan's textile sector, with short-term export losses expected. However, ICMA's analysis suggests these challenges could lead to potential long-term opportunities provided our



Government and Textile Exporters take immediate actions as proposed by ICMA in this document. While competitors such as China (34%), Bangladesh (37%), Sri Lanka (44%), Vietnam (46%), and Cambodia (49%) face higher tariffs, India (26%) and Turkey (10%) have emerged as key rivals, benefiting from lower rates compared to Pakistan.

Addressing this issue requires coordinated efforts from both the government and textile exporters. The government should provide immediate incentives, such as tax relief and duty-free raw material imports, while engaging in diplomatic efforts with the U.S. government to seek tariff reductions. Meanwhile, exporters should focus on diversifying into new markets in Gulf, Africa, Southeast Asia and Central Asia, while shifting towards higher-value, finished textile products to reduce reliance on traditional buyers.



"This could lead to an overall contraction of around 1 per cent in global merchandise trade volumes this year."



Ngozi Okonjo-Iweala
Director General – World Trade Organization (WTO)



"The tariffs clearly represent a significant risk to the global outlook at a time of sluggish growth."



Kristalina Georgieva
Managing Director – International Monetary Fund (IMF)



"This is, without doubt, a shock to the global trading system but it need not result in a systemic crisis."



John W.H. Denton AO
Secretary General – International Chamber of Commerce (ICC)

Reaction by Governments of China, Singapore and Pakistan



"If U.S. insists on waging a tariff war, a trade war, China will fight till the end,"



Lin Jian
Spokesperson – Chinese Foreign Ministry



"It marks a seismic change in the global order. The era of rules-based globalization and free trade is over"



Lawrence Wong Shyun Tsai
Prime Minister of Singapore



"A high-level delegation will soon visit Washington to engage in trade negotiations."



Muhammad Aurangzeb
Finance Minister of Pakistan

Latest on Global Reactions (As on 9th April 2025)

Countries that have retaliated (2):

Canada and China.

Governments threatening retaliation (1):

France.

Governments with offsetting domestic measures (7):

Australia, Canada, Chinese Taipei, Indonesia, Japan, Republic of Korea, and Spain.

Governments seeking negotiations (20):

Brazil, Chinese Taipei, European Union, Fiji, India, Indonesia, Italy, Israel, Japan, Kazakhstan, Norway, Pakistan, Philippines, Republic of Korea, South Africa, Sri Lanka, Switzerland, Thailand, United Kingdom, and Vietnam.

Governments that made concessions (5):

Argentina, Bangladesh, Cambodia, Israel, and Vietnam.

Governments that will not take further actions (2):

Hong Kong and New Zealand.



Global Trade War intensifying - Latest Developments (As on 10th April 2025)

- After US reciprocal tariff, China imposed retaliatory tariff of 34% on imports from USA. (Effective April 10, 2025)
- USA responded by raising tariffs on China upto 84%. (Effective April 9, 2025)
- China raised its retaliatory tariff rate on U.S. origin goods from 34 percent to 84 percent. (Effective April 10, 2025)
- USA responded by raising tariffs on China upto 125%. (Effective April 9, 2025)
- US President Trump announced 90-day pause on tariffs for more than 75 trading partners that did not retaliate after his sweeping duties, except China.

Story is still unfolding.....

Key Features of US President Trump's Executive Order on Reciprocal Tariffs

01

According to the executive order signed by President Trump on April 2, 2025, reciprocal tariffs imposed on over 180 countries and territories.



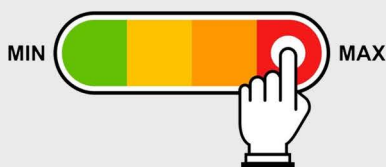
02

According to the USA, the reciprocal tariffs aim to counter currency manipulation, weak environmental and labor standards, and restrictive regulations limiting their exports.



03

Reciprocal tariff ranges from 10% to 50%. Baseline tariff@10% imposed on almost all US imports.



04

Baseline Tariff @10% is applicable from April 5, 2025 while higher tariffs will be effective from April 9, 2025.



Key Features of US President Trump's Executive Order on Reciprocal Tariffs

05

Tariffs will exclude copper, pharmaceuticals, semiconductors, lumber, gold, energy, and certain minerals not available in the U.S.

EXCLUSION

06

Top six countries



with highest tariffs are Lesotho (50%), Laos (48%), Madagascar (47%), Vietnam (46%), Sri Lanka (44%) and Myanmar (44%). Pakistan has been imposed 29% tariff.

07

Despite a 49% tariff on U.S. goods, Afghanistan faces only a 10% reciprocal tariff.



08

Specified products of Canada and Mexico are exempted from this baseline tariff due to existing trade agreements under the United States-Mexico-Canada Agreement (USMCA).



US Reciprocal Tariff on Major Countries (High to Low Range)

Very High Tariffs (40% and Above)

01	Lesotho	50%
02	Laos	48%
03	Madagascar	47%
04	Vietnam	46%
05	Sri Lanka	44%
06	Myanmar (Burma)	44%
07	Mauritius	40%

High Tariffs (30% to 39%)

08	Bangladesh	37%
09	Serbia	37%
10	Botswana	37%
11	Thailand	36%
12	China	34%
13	Taiwan	32%
14	Indonesia	32%
15	Switzerland	31%
16	South Africa	30%

Moderate Tariffs (20% to 29%)

17	Pakistan	29%
18	Tunisia	28%
19	Kazakhstan	27%
20	India	26%
21	South Korea	25%
22	Japan	24%
23	Malaysia	24%
24	Cote d'Ivoire	21%
25	European Union	20%
26	Jordan	20%

Low Tariffs (Above 10%)

27	Nicaragua	18%
28	Israel	17%
29	Philippines	17%
30	United Kingdom	10%

Note

- The remaining **150** countries have average tariff rates ranging from a minimum of **10%** to a maximum of **40%**.
- These tariffs are in addition to the existing tariffs already imposed by USA on these countries.

How USA Calculated the Tariffs Charged by Other Countries

$$\text{Tariff Charged by a Country to USA} = \left\{ 1 - \left(\frac{\text{US Exports to a Country in 2024}}{\text{US Imports from that same country in 2024}} \right) \right\} * 100$$

USA Reciprocal Tariff on a Country = Tariff Charged by a Country to USA divided by 2



Pakistan (Example)

$$\text{Tariff Charged by Pakistan to USA} = \left\{ 1 - \left(\frac{2,135.1}{5,123.7} \right) \right\} * 100$$

$$\text{Tariff Charged by Pakistan to USA} = 58.3\%$$

USA Reciprocal Tariff on Pakistan = Tariff Charged by Pakistan to USA divided by 2

$$= \frac{58.3\%}{2}$$

$$\text{USA Reciprocal Tariff on Pakistan} = 29\%$$



Calculated USA Tariff Imposed on SAARC Countries' Exports

(Sequence of countries in order of highest to lowest tariff imposed by USA)

	Exports by USA (\$ Million)	Imports to USA (\$ Million)	Tariff Charged on Imports of USA	Calculated USA Tariff
Sri Lanka	368.2	3,015.6	87.8%	44%
Bangladesh	2,214.0	8,365.8	73.5%	37%
China	143,545.7	438,947.4	67.3%	34%
Pakistan	2,135.1	5,123.7	58.3%	29%
India	1,752.70	87,416.40	52.2%	26%
Afghanistan	11.4	22.6	49.6%	10%
Bhutan	3.4	3.3	10%	10%
Maldives	92.6	4.8	10%	10%
Nepal	120.9	120.5	10%	10%

Source: United States Census Bureau 2024 data. Analysis by ICMA.

NOTE:

- These tariffs are in addition to the existing tariffs already imposed by USA on these countries.
- 10% Reciprocal Tariff is the minimum General Base Line set by the USA.

Top Competitive Textile Exporting Countries to USA (After Reciprocal Tariff)

Countries	Newly Imposed Tariff
Mexico	Exempted
Turkey	10%
India	26%
Pakistan	29%
Indonesia	32%
China	34%
Bangladesh	37%
Sri Lanka	44%
Vietnam	46%
Cambodia	49%

Source: United States Census Bureau. Analysis by ICMA.

Top Textile Exporting Countries to USA (Before Reciprocal Tariff)

Countries	Export Value (\$ Millilon)	Share %
China	31,732	26.1%
Vietnam	15,612	12.8%
India	10,085	8.3%
Bangladesh	7,564	6.2%
Mexico	6,446	5.3%
Indonesia	4,694	3.9%
Pakistan	4,050	3.3%
Cambodia	3,660	3.0%
All other countries	37,778	31.1%
Total	121,621	100.0%

Source: United States International Trade Commission, 2023 data.

Top Textile Export Products from Pakistan to USA in 2023



Knitwear
(T-shirts, Sweaters)

\$1.8 Billion



Woven Garments
(Jeans, Shirts)

\$1.5 Billion



Home Textiles
(Bed Linens, Towels)

\$1.2 Billion



**Cotton
Fabrics**

\$0.8 Billion



**Other Made-ups
Textiles (Bags, Tents)**

\$0.4 Billion



**Yarn &
Thread**

\$0.3 Billion

Trade Surplus with the USA in FY 24

Pakistan exported **\$5.44** billion to the USA and imported **\$1.88** billion, resulting in a **\$3.57** billion trade surplus.

Total Pakistan's Exports to USA in FY 24

**\$5.44
Billion**

Source: SBP

Impact of Tariffs on Textile Exports to USA

01

The US is a major market for Pakistan's textiles.

02

Over 75% of textile exports go to the US.

03

The sector is highly dependent on this market.

04

Orders may shift to countries with lower tariffs.

05

Reduced shipments and factory closures are a risk.

06

Job losses are likely, particularly in the short term.

07

Smaller exporters may face more challenges.

08

Increased costs may reduce profit margins.

09

Slowing demand in global markets adds pressure.

10

Competition from regional exporters is intensifying.

11

Market uncertainty could impact future investments.

12

Tariffs may reduce Pakistan's competitiveness in the US.

ICMA's Key Recommendations to Boost Pakistan's Textile Exports Amid US Tariff Challenges

01

Negotiate U.S. Tariff Reductions

Pakistan should pursue diplomatic negotiations to reduce U.S. tariffs on textiles, which will help mitigate the negative impact on our textiles exports to USA.

02

Develop Competitive Strategies for India and Turkey

Create innovative strategies to compete with Indian and Turkish textile exporters, who will now be our main competitors in USA markets due to their lower tariffs.

03

Reduce Tariffs on Imports

Reduce tariffs on essential imports, such as cotton yarn and raw materials, to lower production costs and boost competitiveness.

04

Enhance Presence in EU Markets

Target the European market more aggressively as competitors like China, Vietnam, and Bangladesh will now shift their focus on exports away from the U.S. due to higher tariffs.

ICMA's Key Recommendations to Boost Pakistan's Textile Exports Amid US Tariff Challenges

05

Strengthen Key Segments

Focus on expanding exports of denim and knitwear to USA, where Pakistan holds a strong reputation for quality and craftsmanship.

06

Monitor Competitor Tariffs

Continuously assess U.S. tariff policies on competing countries to adjust pricing and market strategies accordingly.

07

Expand into New Export Markets

Focus on diversifying textile exports to emerging markets in Africa, Central Asia, and Southeast Asia, while increasing the share of higher-value, finished products.

08

Focus on High-Value Textile Products

Shift in export strategy to finished and high-value textile products to improve margins and remain competitive globally.

ICMA's Key Recommendations to Boost Pakistan's Textile Exports Amid US Tariff Challenges

09

Readjust Tariff Structures on import from USA

Review and adjust tariffs on imports from the USA to strengthen diplomatic relations and build a foundation for successful trade negotiations.

10

Support Domestic Textile Production

Introduce incentives and subsidies to reduce the cost of local textile production, enhancing competitiveness in international markets.

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Research and Publications Team

Shahid Anwar : Director
Hasan Rashid : Research Officer
Muhammad Wajahat Khan : Graphic Designer

For feedback, please email: rp@icmap.com.pk