

Tariff tensions

Dr. Muhammad Zeshan | 14th April, 2025

Pakistani mills buy American cotton, turn it into products, and sell those goods back to American consumers



US President Donald Trump delivers remarks on tariffs in the Rose Garden at the White House in Washington, DC, US, April 2, 2025. — Reuters

When Trump dropped that bombshell about slapping 29 per cent tariffs on Pakistani imports, factory owners in Faisalabad didn't immediately lose their minds. They've been through tough times before. But once they ran the numbers? That's when the sweat started breaking out.

"I'm looking at pink slips for maybe a fifth of my people if these tariffs stick", says a factory owner, whose textile mill puts food on the table for more than 500 families. "We're not talking about abstract economic theories here – we're talking about real people who might not make rent next month."

The US remains Pakistan's single largest export destination, with \$5.3 billion in exports during 2024. The majority of these exports are textiles, alongside significant volumes of rice and surgical instruments. Conservative projections suggest the proposed tariffs would slash Pakistan's exports to America by 20-25 per cent – a staggering \$1.1-1.4 billion annually, according to the Pakistan Institute of Development Economics (PIDE) in a policy note 'Impact of Unilateral Tariff Increase by United States on Pakistani Exports'.

And here's the kicker: this isn't just Pakistan's headache. American shoppers and businesses are going to feel the pain too. Those cheap T-shirts at Walmart? They're about to get a lot less cheap. That surgical equipment keeping healthcare costs somewhat manageable? Price hike incoming.

The White House is pushing this line about fixing trade deficits, but that's economic thinking from the Stone Age. In today's connected world, this simplistic 'I win, you lose' approach to trade completely misses how supply chains actually work.

Take textiles. Pakistani mills buy American cotton, turn it into products, and sell those goods back to American consumers. American farmers win. Pakistani workers win. American families get affordable clothes. Everyone's happy! These tariffs throw sand in those gears.

And what about those surgical instruments Pakistan exports? Sialkot has been making world-class medical tools for generations. They're high-quality but affordable, helping keep America's already ridiculous healthcare costs somewhat in check. Making these more expensive seems like shooting yourself in the foot and then paying more for the bandages.

Pakistan needs to get its diplomats working overtime. High-level talks should hammer home how these tariffs hurt both sides. Pakistan could offer to lower its own tariffs on American cotton, machinery, or petroleum as a peace offering.

Pakistani manufacturers should also look at using more American materials in their products. Using more US cotton might help dodge some tariff bullets under the new rules.

Long term, though, this wake-up call shows Pakistan needs to quit putting all its eggs in the America-and-textiles basket. We need to aggressively expand into new markets – Asean, Africa, you name it – and diversify what we're selling.

We've been talking about export diversification for decades, now we're paying the price for dragging our feet. We need to accelerate efforts to break into new markets and expand our product range beyond the usual suspects. Perhaps the silver lining is that it forces us to finally address structural issues we've been ignoring for too long.

None of this will be easy or quick. These tariffs are going to cause real pain for real Pakistani workers and businesses. The textile industry employs most of Pakistan's industrial workforce. Layoffs represent families suddenly without income in a country with minimal social safety nets.

As for America? Policymakers should really think about whether these tariffs actually serve US interests. Sure, they might bring in some quick cash and sound tough on the campaign trail, but at what cost? Damaged diplomatic ties, higher prices at Target, and messed-up supply chains seem like a steep price to pay.

Trade isn't a boxing match where someone has to hit the canvas for the other guy to win. The best economic relationships create value for everyone involved. The US-Pakistan trade relationship has been doing exactly that for decades.

Instead of slapping punitive tariffs, wouldn't it make more sense to target specific trade concerns through focused talks while finding new ways both countries can benefit? That would save jobs, maintain strategic relationships, and ultimately serve both American and Pakistani citizens better.

Economic nationalism might feel good for a minute, but history shows it just makes everyone poorer in the end.

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