

# Comparative Advantage-Pakistan's Position in the Evolving US Textile Import Landscape



ECONOMIC POLICY  
& BUSINESS  
DEVELOPMENT

# Comparative Advantage: Pakistan's Position in the Evolving US Textile Import Landscape

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## Executive Summary

- The new US tariff structure creates a reshuffled competitive landscape where Pakistan's 29% rate provides significant advantages over China (145%), Vietnam (46%), and Bangladesh (37%), potentially offsetting projected 20-25% export losses with strategic gains in specific product categories.
- The 116 percentage point tariff advantage over China creates unprecedented market share opportunities, particularly in home textiles and specific apparel categories where Chinese products have historically dominated but will now face prohibitive import costs.
- China's declining market dominance from 55.5% in 2020 to 42.7% in 2024, among selected countries prior to tariff implementation, indicating accelerated market redistribution is already underway and providing immediate opportunities for countries with favorable tariff positions.
- Beyond tariff advantages, Pakistan benefits from competitive labor costs, established manufacturing infrastructure, and longstanding US buyer relationships that provide additional leverage for market share expansion in the restructured competitive environment.
- Pakistan's export profile reveals strategic specialization in high-value home textiles, particularly kitchen/toilet linens (\$0.52B) and bed linens (\$0.51B), which collectively account for half of its top exports and align with sectors where it now enjoys substantial tariff advantages.
- Strategic opportunities lie in both horizontally expanding market share in current strong categories (home textiles, cotton-based products) and vertically integrating toward higher-value segments where price sensitivity is lower and tariff impacts are reduced.
- Vertical integration in cotton-based products creates structural competitive advantages for Pakistan that are enhanced by the new tariff structure, enabling superior quality control, supply chain efficiency, and cost optimization in key product categories.
- Successful navigation of the new tariff environment requires balanced implementation of both short term tactical responses (diplomatic engagement, cost management) and long-term strategic shifts (market diversification, technological advancement, value-chain integration)
- Despite India's slight tariff advantage (26% vs Pakistan's 29%), Pakistan has demonstrated stronger growth in shared product categories, with jerseys/pullovers (+13.2%), trousers (+12.8%), and hosiery (+20%) showing particular momentum between 2023-2024.

# Introduction

The global textile and apparel industry represents one of the most significant sectors in international trade, with complex supply chains spanning multiple continents and economies. The United States, as one of the world's largest importers of textiles and apparel products, maintains critical trade relationships with several key Asian manufacturing countries, including China, Pakistan, India, Bangladesh, Vietnam, and Indonesia. These relationships have evolved considerably over the past five years, shaped by changing economic conditions, shifts in manufacturing capacities, and global supply chain dynamics.

Recent US policy decisions have established a differentiated reciprocal tariff structure across these major textile-producing nations, with rates varying significantly: China (145%), Vietnam (46%), Bangladesh (37%), Indonesia (32%), Pakistan (29%), and India (26%). This stratified approach to import duties creates a reshuffled competitive landscape that potentially alters the economic advantages of each exporting nation. The United States remains a significant export destination for Pakistani commodities, with a total trade volume of USD 7.7 billion in 2024, with Pakistan exporting roughly \$5.7 billion to the US and importing about \$2.1 billion—accounting for around 17.3% of its total exports (Table 1).

Table 1- Overview of Pakistan-USA trade

Year	Exports	YoY%	Imports	YoY%	Balance
2021	6.08	-	2.86	-	3.22
2022	6.55	7.8	2.74	-4.2	3.82
2023	5.61	-14.3	2.02	-26	3.59
2024	5.71	1.7	2.06	1.8	3.65

Source: EPBD calculation using SBP Export and Imports receipts by Country

This report examines the historical US textile import patterns from 2020–2024 of selected countries and projects the potential implications of these newly imposed tariff structures on future textile trade flows, with particular emphasis on Pakistan's position relative to its regional competitors. By analyzing pre-tariff product specialization and competitive dynamics, we aim to identify emerging economic advantages for Pakistan and evaluate how the new tariff regime may influence future textile trade patterns between these Asian manufacturing hubs and the United States. While the proposed 29% US import tariffs are projected to reduce Pakistan's exports to the US by 20–25% (USD 1.1–1.4 billion annually) according to PIDE (2025)<sup>1</sup>, this analysis will explore both challenges and strategic opportunities within this new competitive landscape.

<sup>1</sup> Zeshan, M., Farooq, S., & Qadir, U. (2025, April). *Impact of unilateral tariff increase by United States on Pakistani exports* (Policy Viewpoint No. 46). Pakistan Institute of Development Economics (PIDE). <https://pide.org.pk>

# Analysis of historical US textile import trends (2020–2024)

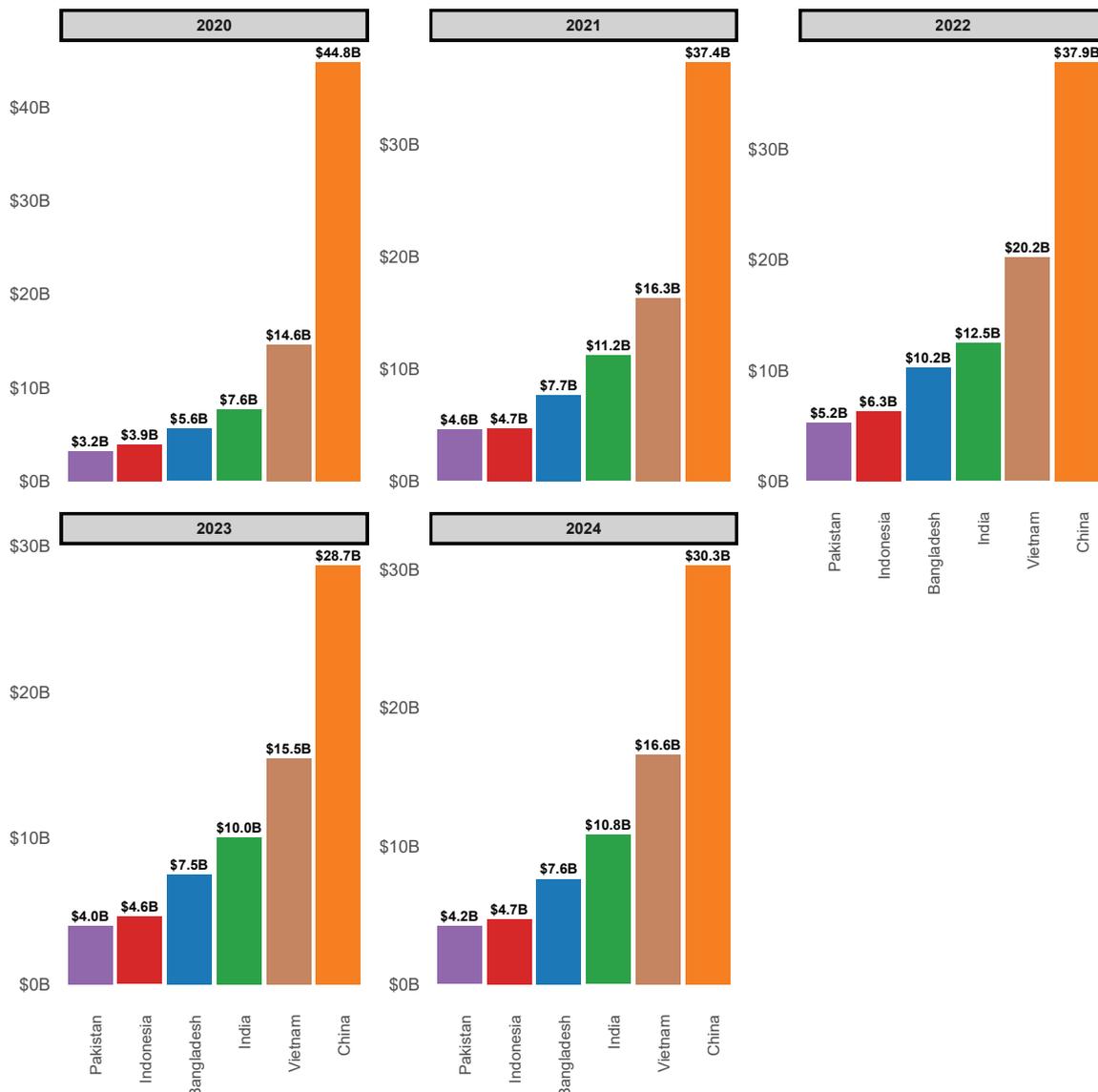
## Overview of import volumes from key Asian sources

The historical data from 2020–2024 reveals significant patterns in US textile imports from the six major Asian manufacturing countries that provide context for understanding potential shifts under the new tariff regime:

China has consistently maintained its position as the largest textile exporter to the US throughout the observed period. However, there's a clear downward trajectory in China's export values, falling from \$44.8 billion in 2020 to \$30.3 billion in 2024—a substantial 32.4% decrease over five years. This decline occurred prior to the implementation of the 145% reciprocal tariff, suggesting that China's market position was already under pressure. The newly imposed prohibitive tariff rate is likely to accelerate this downward trend significantly.

Vietnam has solidified its position as the second-largest textile supplier to the US market, showing growth from \$14.6 billion in 2020 to \$16.6 billion in 2024 (13.7% increase). With the new 46% tariff rate, Vietnam may face challenges maintaining this growth trajectory, potentially creating opportunities for countries with more favorable tariff positions.

Figure 1 Pakistan has the least export among the selected countries which indicates significant potential for growth after the implementation of new tariff structures



Source: WITS

India demonstrated the most consistent growth pattern among the six countries analyzed, increasing its textile exports to the US from \$7.6 billion in 2020 to \$10.8 billion in 2024—a substantial 42.1% growth. With the lowest reciprocal tariff rate at 26%, India is positioned to potentially accelerate this growth trend and capture additional market share.

Bangladesh maintained relatively stable export levels to the US market, with values between \$5.6 billion and \$7.6 billion over the five-year period. With a reciprocal tariff rate of 37%, Bangladesh may face increasing competitive pressure from Pakistan and India, which enjoy more favorable tariff positions.

Pakistan's textile exports to the US have shown growth from \$3.2 billion in 2020 to \$4.2 billion in 2024, representing a 31.3% increase. During the first seven months of fiscal year 2024/25 alone, Pakistan exported \$3.6 billion worth of goods to the United States, with textiles and apparel comprising 79% (\$2.8 billion) of this total. Notably, value-added products like clothing and household textiles account for 94% of total textile exports (PIDE, 2025). The relatively favorable reciprocal tariff rate of 29% positions Pakistan with significant potential for accelerated growth, particularly in product categories where it has established strengths.

Indonesia has maintained steady export growth to the US, with values increasing from \$3.9 billion in 2020 to \$4.7 billion in 2024 (20.5% growth). With a reciprocal tariff rate of 32%, Indonesia faces a slight competitive disadvantage relative to Pakistan and India.

## Impact of global events and recovery patterns

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The historical data also reflects the impact of global events on textile trade patterns:

2020	Pre-pandemic baseline	Total imports from the six countries stood at approximately \$80.7 billion.
2021-2022	Pandemic recovery	After initial disruptions, import values stabilized around \$91-92 billion, suggesting resilience in textile supply chains.
2023-2024	Post-pandemic adjustment	A reduction to approximately \$71 billion indicates a recalibration of import volumes across all suppliers, likely influenced by changing consumer patterns and inventory adjustments.

These historical patterns provide important context for understanding how the new tariff structure may interact with ongoing market adjustments in the post-pandemic environment.

## Product category analysis

### Textile product specialization by country

Import data across different textile product categories (HS codes 50-63) reveals specialized production capabilities and competitive strengths that will interact with the new tariff structure:

Apparel and clothing categories (HS 61-63) represent the highest-value textile imports for all countries analyzed. China, Vietnam, and Bangladesh have shown particular strength in these categories. Pakistan also demonstrates significant activity in these categories, though at lower absolute values compared to the larger exporters.

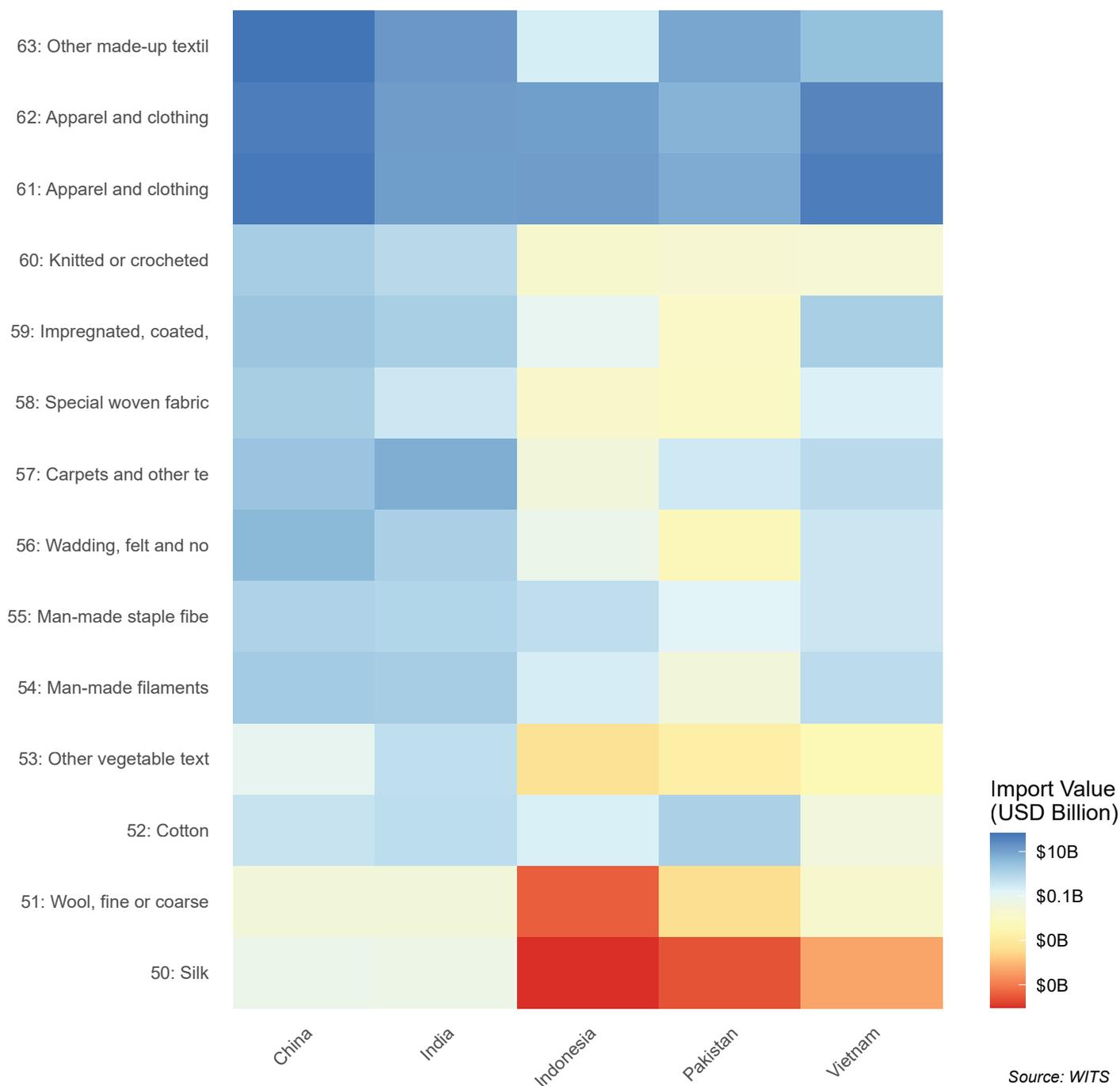


In terms of raw material and intermediate product specializations, India and Pakistan show relatively stronger presence in cotton-based products, leveraging their positions as major cotton-producing countries. China demonstrates particular strength in man-made fibers and filaments (HS 54-55), while Vietnam shows stronger presence in special woven fabrics (HS 58).

Pakistan's comparative advantages are evident in several product categories:

<p><b>Cotton Products (HS 52)</b></p> <p>Relatively strong presence compared to its overall market position, leveraging Pakistan's status as a major cotton producer.</p>	<p><b>Carpets and textile floor coverings (HS 57)</b></p> <p>Pakistan shows noticeable activity in this category, indicating specialized manufacturing capabilities.</p>	<p><b>Made-up textile articles (HS 63)</b></p> <p>This category, which includes home textiles like bed linens and towels, represents a significant strength for Pakistan, aligned with its known specialization in home textiles.</p>
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Figure 2 Analysis of product specializations across various product categories



The new tariff structure creates varying degrees of advantage for Pakistan across these product categories. With a 29% tariff rate compared to China's 145%, Pakistan gains a substantial competitive advantage in directly competing categories. The 17 percentage point advantage over Vietnam (46%) and 8 percentage point advantage over Bangladesh (37%) also enhance Pakistan's competitive position in shared product categories.

## Strategic implications of product specialization under new tariffs

The interaction between product specialization patterns and the new reciprocal tariff structure suggests several strategic implications:

### Complementary vs. Competitive Relationships

The varying specializations indicate that countries have developed complementary rather than directly competitive relationships in certain product categories. Pakistan's strength in cotton products and home textiles represents a differentiated position from countries focused more exclusively on apparel. The new tariff structure may reinforce these specialization patterns, with countries focusing on areas of established strength rather than attempting to compete across all categories.

### Value Chain Positioning

The data indicates different positions within the textile value chain, with some countries (particularly China and India) showing presence across the entire spectrum from raw materials to finished goods, while others (like Bangladesh) concentrate more exclusively on finished apparel. The differentiated tariff structure may influence movement along the value chain, potentially encouraging more integrated production in countries with favorable tariff positions.

### Tariff Impact by Product Category

The combination of new tariff structures with established product specializations creates varying levels of advantage. For Pakistan, the 29% tariff rate applied to its areas of specialization (cotton products and home textiles) creates a particularly favorable competitive position compared to China's 145% tariff on similar products. This advantage may be most pronounced in categories where price sensitivity is high and product differentiation is limited.



## Detailed analysis of Top textile imports by country (2023-24)

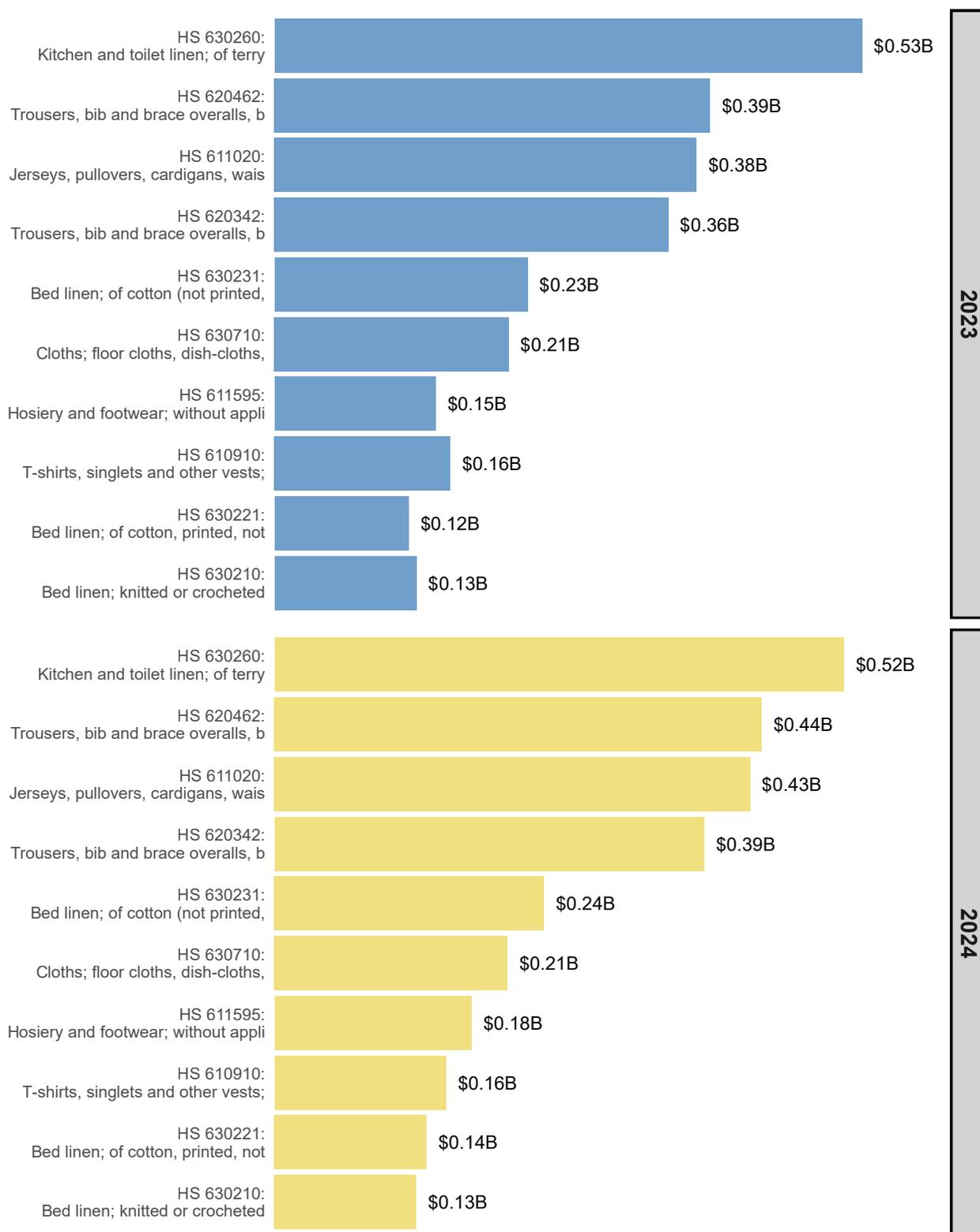
### Pakistan's export profile and strategic position

*An analysis of Pakistan's top 10 textile exports to the United States for 2023-2024 reveals a distinctive product specialization that may be advantageously positioned under the new tariff structure:*

Pakistan's export profile is characterized by a strong presence in home textile products, particularly kitchen and toilet linen (\$0.52 billion in 2024) and various bed linen categories (collectively \$0.51 billion). These categories account for nearly half of Pakistan's top 10 exports, demonstrating the country's established manufacturing capacity in these products (Figure 3).

While home textiles dominate, Pakistan also maintains significant exports in apparel categories, with trousers and jerseys showing notable growth from 2023 -2024 (12.8% and 13.2% respectively). This balanced portfolio allows Pakistan to leverage both its raw material advantages in cotton and its established manufacturing infrastructure across multiple product categories.

Figure 3 Top 10 US textile and apparel imports from Pakistan (HS 6-digit level)



Source: Comparison conducted using HS 6-digit level

Pakistan's export profile demonstrates a strategic focus on product categories where it possesses comparative advantages in terms of raw materials, manufacturing expertise, and cost structure. With the new 29% tariff rate, these advantages may be amplified, particularly relative to higher-tariff competitors like China (145%), Vietnam (46%), and Bangladesh (37%). Several of Pakistan's export categories showed meaningful growth from 2023 to 2024:

Several of Pakistan's export categories showed meaningful growth from 2023 to 2024:



*Jerseys and pullovers (HS 611020)*  
**13.2% increase**



*Trousers and overalls (HS 620462)*  
**12.8% increase**



*Hosiery and footwear (HS 611595)*  
**20.0% increase**



*Bed linen (printed) (HS 630221)*  
**16.7% increase**

This growth occurred prior to the implementation of the new tariff structure, indicating underlying competitive strengths that may be enhanced by the favorable tariff position.

The export profiles of Pakistan's key competitors provide important context for understanding potential competitive dynamics under the new tariff structure:

The United States imports a substantial volume of textile products from China, with a slight increase in import values from 2023 to 2024. In 2024, textile articles (HS 630790) led imports at \$3.45 billion, up from \$3.19 billion in 2023. Blankets (HS 630140) ranked second at \$1.26 billion, followed by hosiery and footwear products (HS 611596) at \$1.10 billion (Figure 4 available in Appendix). Two categories of jerseys, pullovers, and cardigans (HS 611030 and HS 611020) represented a combined import value of over \$2 billion across both years. Other significant imports included trousers and overalls, bed linens, brassieres, curtains, and women's dresses. The data illustrates China's continued dominance in supplying the US textile market, with most categories showing modest growth between 2023 and 2024, reflecting the resilience of this trade relationship despite broader economic challenges.

Vietnam's top 10 textile exports to the United States for 2023–2024 present a distinctly different profile from Pakistan's. Vietnam demonstrates strength across multiple apparel categories, with jerseys and pullovers collectively accounting for around \$2 billion in exports (Figure 5 available in Appendix). The country also shows significant presence in technical textiles, with made-up textile articles alone reaching \$3.45 billion in 2024—a value that exceeds Pakistan's combined top 10 exports. Despite facing a substantially higher reciprocal tariff rate of 46% compared to Pakistan's 29%, Vietnam's established scale and technical capabilities may enable it to maintain competitiveness in certain segments.

Bangladesh's top 10 textile exports reveal a highly specialized export profile dominated by trouser categories, which collectively accounted for approximately \$2.64 billion in 2024, representing about 60% of Bangladesh's top 10 exports to the US (Figure 6 available in Appendix). This concentration demonstrates Bangladesh's specialized manufacturing infrastructure focused on these product categories. With a reciprocal tariff rate of 37%, Bangladesh faces an 8 percentage point disadvantage relative to Pakistan, which may create opportunities for Pakistan to compete more effectively in shared apparel categories.

India's top 10 textile exports demonstrate a well-balanced portfolio that leverages the country's diverse textile manufacturing capabilities. India's export profile is characterized by a strong foundation in home textiles, particularly kitchen and toilet linen (\$0.86 billion in 2024) and bed linen (\$0.82 billion) (Figure 7 available in Appendix). India also maintains a diverse presence across multiple apparel categories. With the lowest reciprocal tariff rate among the analyzed countries at 26%, India is well-positioned to maintain its growth trajectory. The 3 percentage point tariff advantage relative to Pakistan may be offset by differences in product specialization and other competitive factors.

Indonesia's top 10 textile exports reveal a focused strategy with significant concentration in knitted apparel, particularly jerseys and pullovers, which collectively accounted for \$0.70 billion in 2024 (Figure 8 available in Appendix). With a reciprocal tariff rate of 32%, Indonesia faces a modest 3 percentage point disadvantage relative to Pakistan, which may influence competitiveness in directly competing categories.

The comparison of export profiles reveals fundamental differences in specialization and scale that will interact with the new tariff structure in complex ways. Pakistan's balanced portfolio across home textiles and apparel, combined with its favorable tariff position relative to most competitors, creates potential opportunities for market share expansion in specific product categories.

## Pakistan's economic advantages in the new tariff environment

*The comprehensive analysis of import trends and export profiles, combined with the new reciprocal tariff structure, suggests several distinct economic advantages for Pakistan in the US textile import market:*

Country	Tariff Rate	Pakistan's Advantage	Competitive Implication
China	145%	116 percentage points	Major cost advantage against historically dominant supplier
Vietnam	46%	17 percentage points	Meaningful advantage against established manufacturer
Bangladesh	37%	8 percentage points	Modest advantage in directly competing categories
Indonesia	32%	3 percentage points	Slight advantage in price-sensitive categories
India	26%	-3 percentage points	Minor disadvantage against closest competitor

### Tariff-based advantages

Pakistan's 29% reciprocal tariff rate represents a significant competitive advantage compared to several key competitors:

Pakistan enjoys a 116 percentage point advantage, which creates a major cost differential across all competing product categories. This substantial margin is likely to accelerate the redirection of imports away from China, creating opportunities for alternative suppliers like Pakistan, particularly in categories where China has traditionally dominated.

It's important to note that these tariff rates represent the reciprocal tariffs imposed in addition to pre-existing weighted average MFN tariffs. Pakistan already faced a weighted average MFN tariff of 8.6% before the reciprocal tariff, resulting in a total tariff burden of 37.6% when combined with the 29% reciprocal tariff. In comparison, Bangladesh faces a total tariff burden of 47.6%, China 145 %, and India 28.5%<sup>2</sup>. This comprehensive view of the total tariff burden provides additional context for understanding the relative competitive positions.

These tariff advantages are likely to be most influential in categories where margins are thin, price sensitivity is high, product differentiation is limited, and direct competition exists with higher-tariff countries.

## Product specialization advantages

*Beyond tariff differentials, Pakistan possesses several product-specific competitive advantages that may be enhanced under the new tariff structure:*

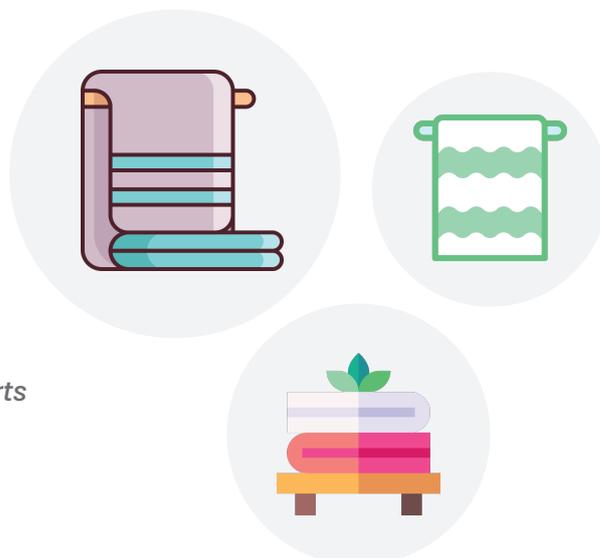
Pakistan demonstrates particular strength in home textile categories, with kitchen and toilet linen exports (\$0.52 billion) that rival India's (\$0.86 billion) despite Pakistan's smaller overall textile sector. The country's combined bed linen exports across various categories (\$0.51 billion) similarly indicate established expertise and production capacity in these products.

Pakistan's status as a major cotton producer creates structural advantages in cotton-based products through supply chain integration, quality consistency, and reduced transportation costs. This vertical integration provides cost and quality management advantages that are particularly valuable in the current competitive environment and may become more significant under the new tariff structure.

Several categories demonstrate Pakistan's specialized production expertise, particularly in terry toweling products and cotton bed linens. These specializations reflect established manufacturing infrastructure and technical capabilities that are difficult for competitors to rapidly replicate, potentially allowing Pakistan to capture market share in these segments as buyers seek alternatives to high-tariff suppliers.

**\$0.52 billion**

*Pakistan's home textile exports*



## Structural and operational advantages

Pakistan maintains competitive labor costs compared to several competitors, particularly China and Vietnam. When combined with the favorable tariff position, this cost structure creates a compelling value proposition for labor-intensive textile categories.

The country has established significant infrastructure dedicated to textile production, including cotton processing facilities, specialized textile machinery (particularly for home textile production), and established export logistics. This infrastructure provides the foundation for potential expansion in response to new market opportunities created by the tariff structure.

Pakistan's historical presence in the US textile market has created durable business relationships, including an established reputation for quality (particularly in home textile categories), longstanding buyer relationships with major US retailers and importers, and familiarity with US compliance requirements. These relationships may facilitate market share expansion as buyers seek alternatives to high-tariff suppliers.

However, PIDE (2025) notes several macroeconomic risks that could result from the tariff impact, including potential widening of the current account deficit if export losses reach \$1.5 billion, possible currency depreciation of 5-7% due to reduced dollar inflows (which would also raise import costs), and significant employment impacts, particularly in the textile sector where job losses could contribute to higher urban unemployment rates.

## Strategic implications & future outlook

### Market diversification trends

China's share of US textile imports among the selected countries declined from 55.5% in 2020 to 42.7% in 2024, a trend that preceded the implementation of the 145% reciprocal tariff. This prohibitive tariff rate is likely to accelerate this decline significantly, creating substantial opportunities for alternative suppliers to capture portions of China's retreating market share.

Based on historical patterns, the beneficiaries of this shift are likely to be distributed according to established specializations, with different countries capturing share in their respective areas of strength:

Vietnam in technical textiles and diverse apparel (now challenged by 46% tariff) Bangladesh in trouser categories (now facing 37% tariff) India in home textiles and cotton-based products (well-positioned with 26% tariff) Pakistan in home textiles and specific apparel categories (advantageously positioned with 29% tariff) Indonesia in knitted apparel (moderately challenged by 32% tariff)

This selective pattern suggests that countries are most successful when expanding in areas adjacent to their existing strengths rather than attempting to compete across all categories. The new tariff structure may reinforce these specialization patterns while altering the relative competitive position of each country within their areas of focus.

## Category-specific strategic opportunities for Pakistan

*The combination of tariff advantages and established expertise creates particularly strong opportunities for Pakistan in specific product categories:*

### Home Textiles

Pakistan's established presence in kitchen and toilet linen (HS 630260) and various bed linen categories positions it well to capture market share from China, which faces a prohibitive 145% tariff in these segments. The 17 percentage point advantage over Vietnam and 8 percentage point advantage over Bangladesh further enhance Pakistan's competitive position in these products.

### Apparel

Growing categories like trousers (HS 620462, 620342) and jerseys and pullovers (HS 611020) where Pakistan has demonstrated capacity represent opportunities for expansion. The tariff advantages relative to Vietnam (17 percentage points) and Bangladesh (8 percentage points) may enhance Pakistan's ability to compete effectively in these segments.

### Emerging Niches

Categories like hosiery (HS 611595) that have shown rapid growth (20% from 2023 to 2024) may represent strategic opportunities for focused expansion under the favorable tariff regime.

### Value-Added Products

Building on existing expertise in cotton products, Pakistan may have opportunities to develop higher-value offerings in segments like technical home textiles, synthetic fibers, sustainable textile products, and industrial textiles, leveraging both its raw material advantages and favorable tariff position.

## Comparative advantages in the current tariff environment

*The new tariff structure creates varying competitive dynamics between Pakistan and its key regional competitors:*

With similar tariff rates (Pakistan at 29%, India at 26%) and overlapping product specializations, Pakistan-India competition warrants particular attention. Both countries dominate in similar home textile categories and leverage domestic cotton production advantages. India shows slightly larger scale, while Pakistan demonstrates stronger growth in certain shared categories. The modest 3 percentage point tariff differential is unlikely to be determinative, making product quality, reliability, and established relationships more decisive factors. According to PIDE (2025), when considering the total tariff burden (combined MFN and reciprocal tariffs), Pakistan faces a slightly higher disadvantage with a total of 37.6% compared to India's 28.5%, which may impact price-sensitive product categories.

Despite Bangladesh's higher tariff rate (37%), its concentration in apparel categories makes it a significant competitor in specific segments. Pakistan's 8 percentage point tariff advantage may be sufficient to improve competitiveness in shared apparel categories, but may be insufficient to overcome Bangladesh's scale advantages in trouser categories. Strategic opportunities exist in product segments where Bangladesh shows limited presence, particularly home textiles.

Vietnam's broader manufacturing capabilities and larger scale, despite its higher tariff rate (46%), position it as both a competitor and a model. Pakistan's 17 percentage point tariff advantage provides meaningful leverage in directly competing categories, potentially enabling market share gains in specific segments. However, Vietnam's successful expansion despite high tariffs demonstrates the importance of manufacturing capabilities and product quality beyond tariff considerations.

## Long term strategic considerations

*Several broader factors will influence Pakistan's ability to capitalize on the advantages created by the new tariff structure:*

**Supply Chain Resilience:** Recent global events have highlighted the importance of supply chain resilience, potentially benefiting Pakistan. US importers increasingly seek supplier diversification to mitigate disruption risks, and Pakistan's established infrastructure and relatively stable production capacity offer advantages in this context. The new tariff structure may accelerate this diversification trend, creating additional opportunities for Pakistan to position itself as a reliable alternative supplier.

### Sustainability Requirements:

Evolving market requirements in sustainability and compliance represent both challenges and opportunities. Growing demand for sustainably produced textiles creates differentiation opportunities, and Pakistan's vertical integration in cotton products provides traceability advantages that could be leveraged for premium positioning. Investments in sustainability certifications and practices may enhance competitiveness beyond tariff advantages.

### Technological Advancement:

Ongoing technological advancement in textile manufacturing will influence competitive positioning. While automation may gradually reduce the impact of labor cost advantages, digital technologies in design, production, and logistics create efficiency opportunities. Strategic investments in manufacturing technology and workforce skills development could enhance Pakistan's competitiveness in higher-value categories.

### Policy Evolution

The current tariff structure may evolve over time, necessitating adaptable strategies. Potential adjustments to US tariff policies could alter current competitive dynamics, making ongoing monitoring of policy developments and agile response capabilities essential. Diversification across product categories and market segments provides resilience against policy changes.

### Global Value Chain Considerations:

As PIDE (2025) notes, there may be long-term costs to the US as well, including consumer inflation with apparel prices potentially rising 8-10% (disproportionately affecting low-income households) and strategic geopolitical considerations, as alienating Pakistan could risk pushing it closer to China, potentially undermining US influence in South Asia. These factors may eventually influence US policy adjustments regarding the tariff structure.

## Strategic pathways for Pakistan

In light of the challenges and opportunities presented by the new tariff structure, strategic measures must be considered to mitigate potential negative impacts and capitalize on Pakistan's competitive advantages. Drawing from our analysis, we propose a framework of complementary short-term and long-term strategies that address the multi-faceted nature of this trade challenge.

## Short term strategic responses

Immediate diplomatic engagement represents the most urgent priority for Pakistan's response to the new tariff regime. High-level diplomatic talks with the US government would allow Pakistan to express concerns and highlight the negative impacts on both economies, including effects on US consumers and cotton exporters. By leveraging existing bilateral channels to advocate for Pakistan's position and emphasizing the historical trade partnership, Pakistan may be able to negotiate adjustments or exemptions to mitigate the most severe impacts of the tariff structure.

Targeted tariff reductions on US goods could serve as both a strategic negotiation tool and an economic benefit. By considering reduced tariffs on specific US goods important for Pakistan's industries, such as cotton, machinery, and petroleum products, Pakistan could demonstrate a commitment to balanced trade relations while potentially reducing input costs for domestic manufacturers. This approach, framed as a gesture of goodwill, could create leverage for tariff concessions on Pakistani exports to the US market.

Value-added exports and US content integration offers a pathway to partial tariff relief within the existing framework. By encouraging textile producers to increase US cotton or yarn content in their products, Pakistan may position its exporters to qualify for partial tariff exemptions under the new regulations. Simultaneously, focusing on higher value-added textile products where Pakistan maintains a competitive edge despite tariffs could help preserve export values even if volumes decline. This approach aligns with Pakistan's established strengths in home textiles and specialized apparel categories.

Competitive cost management will be essential for maintaining market presence during this transition period. Supporting exporters in absorbing some tariff costs through margin adjustments could help maintain market share in the short term, while implementing energy reforms for export-oriented units could reduce production costs. These measures would enhance the price competitiveness of Pakistani exports despite the tariff disadvantage.

## Long term strategic framework

Export market diversification represents a fundamental strategic imperative for Pakistan's long-term resilience. By actively exploring and penetrating markets beyond the United States, including strengthening trade ties with China, the European Union, and ASEAN countries, Pakistan can reduce its vulnerability to US-specific trade policies. A comprehensive approach to market diversification would include market research to identify optimal target markets, incentives and support for exporters pursuing new markets, and diplomatic efforts to secure favorable access terms in these alternative destinations.

Enhancing competitiveness and productivity through structural reforms offers the most sustainable path to long-term export growth. By implementing reforms that improve overall competitiveness through technological upgrades, infrastructure improvements, and workforce development, Pakistan can establish competitive advantages that transcend tariff considerations. Quality improvement initiatives to differentiate Pakistani products from competitors would further strengthen the value proposition of Pakistani exports in both US and alternative markets.

Supply chain integration and value addition initiatives would address structural vulnerabilities in Pakistan's export sector. By developing more integrated textile value chains to reduce dependence on imported inputs and enhance domestic value addition, Pakistan can improve both the resilience and profitability of its textile sector. Investments in research & development

For innovative textile products and sustainable manufacturing practices would position Pakistan's exports for premium market segments where price sensitivity is lower and tariff impacts are consequently reduced.

Strategic US market positioning remains important despite diversification efforts, given the size and significance of the US market. Developing a long-term strategy for US trade relations focused on mutual benefits and building stronger economic partnerships in areas beyond traditional exports would help maintain Pakistan's presence in this key market. This approach could include identifying and developing export categories with lower tariff sensitivity, establishing joint ventures with US companies, and cultivating relationships with US retailers seeking reliable alternatives to Chinese suppliers facing prohibitive tariffs

## Conclusion

The newly implemented reciprocal tariff structure creates a complex competitive landscape for Pakistan's textile industry in the US import market. With a relatively favorable tariff rate of 29% compared to China (145%), Vietnam (46%), and Bangladesh (37%), Pakistan gains significant competitive advantages against these major competitors, while facing a modest disadvantage relative to India (26%). This differentiated position creates both challenges and strategic opportunities that require a comprehensive response.

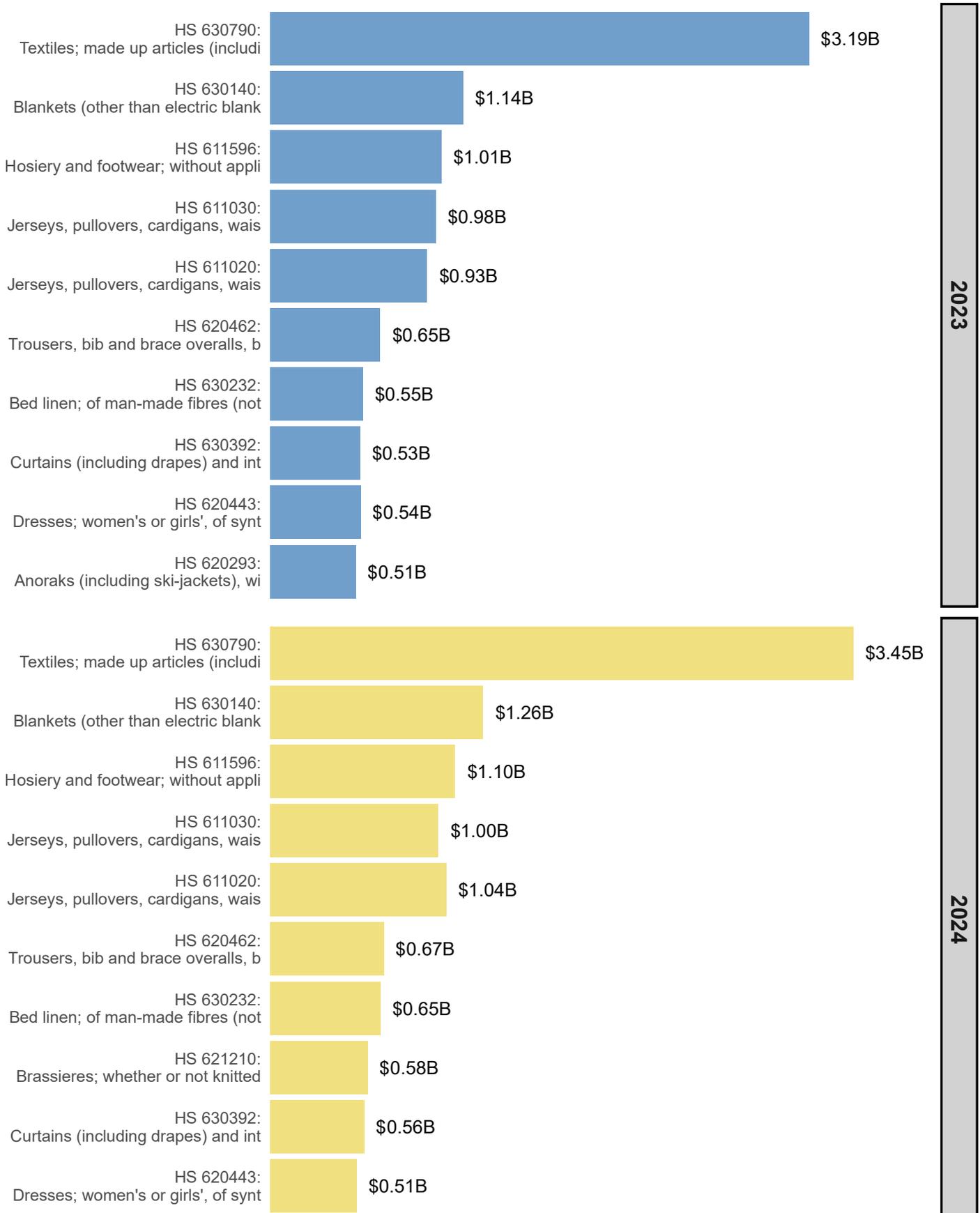
These tariff advantages, when combined with Pakistan's established strengths in home textiles, cotton-based products, and specific apparel categories, suggest potential for strategic market share expansion in certain segments. However, as PIDE (2025) projects, the 29% tariff is still likely to reduce Pakistan's exports to the US by 20-25% (\$1.1-1.4 billion annually), requiring deliberate strategic responses to mitigate these losses while capitalizing on emerging opportunities.

The US textile import market will continue evolving in response to the new tariff structure, global supply chain considerations, and changing consumer preferences. Pakistan's ability to navigate these challenges will depend on implementing both short-term mitigation strategies and long-term structural improvements to enhance competitiveness beyond mere tariff advantages. While immediate measures focus on preserving market share through diplomatic engagement, cost management, and strategic product adjustments, long-term success will require fundamental enhancements to competitiveness, value chain integration, and market diversification.

Pakistan must undertake necessary reforms and strategic shifts that strengthen its economy and export sector for the long term, transforming a challenge into a catalyst for positive change. By leveraging its favorable tariff position relative to certain competitors and addressing structural competitiveness factors, Pakistan can work to minimize export losses while positioning itself strategically in the evolving global textile trade landscape.

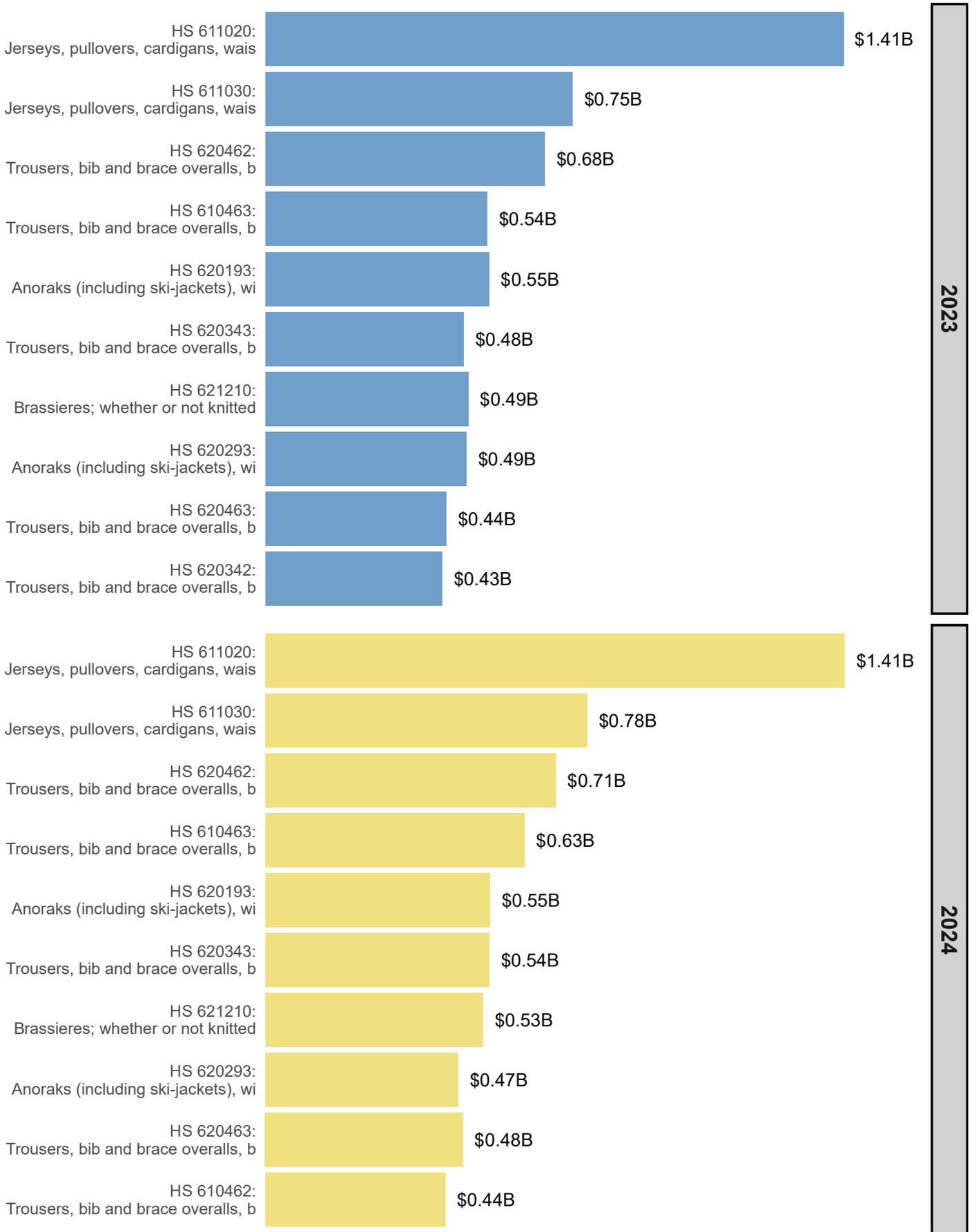
## Appendix

Figure 4 Top 10 US textile and apparel imports from China (HS 6-digit level)



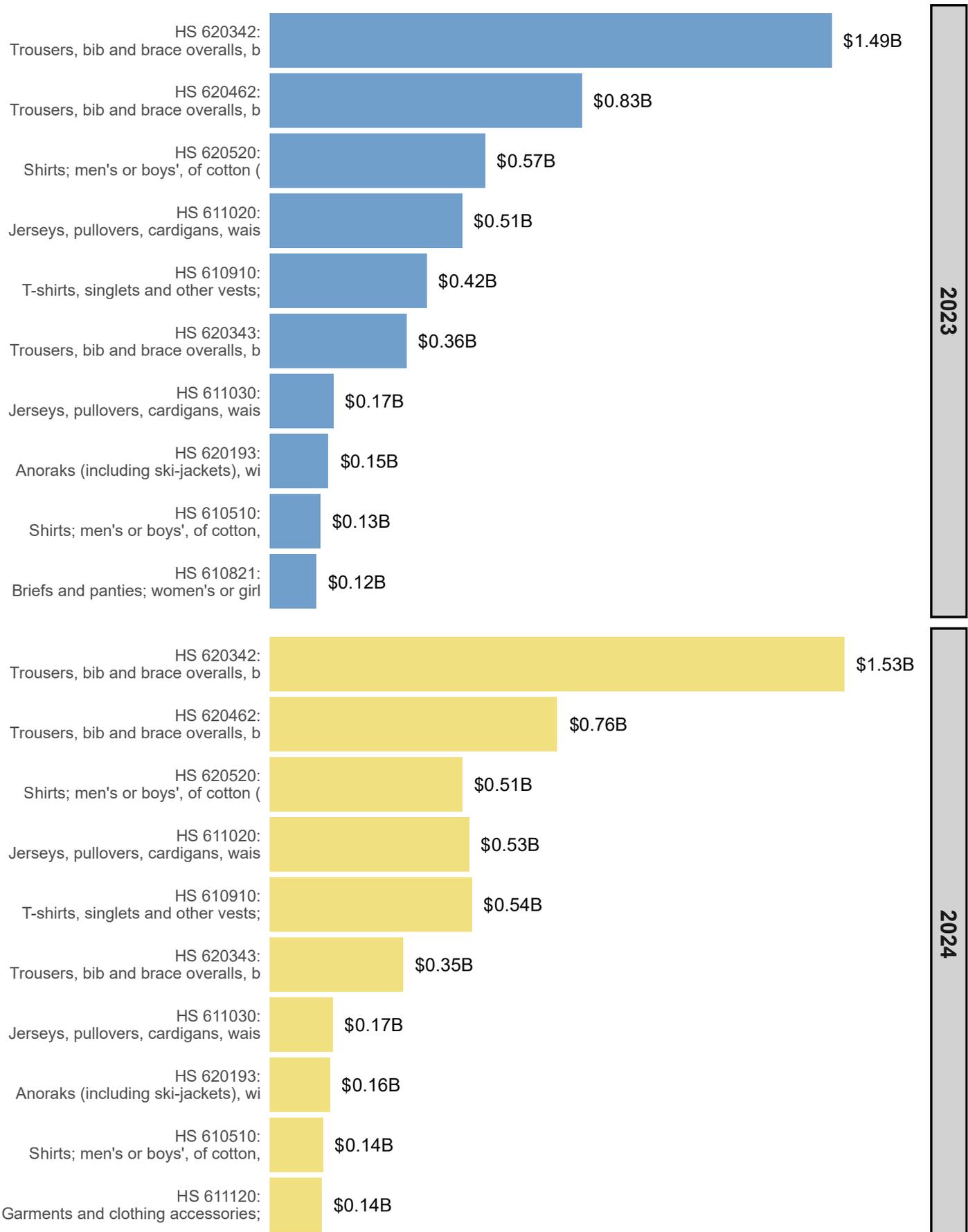
Source: Comparison conducted using HS 6-digit level data from WITS

Figure 5 Top 10 US textile and apparel imports from Vietnam (HS 6-digit level)



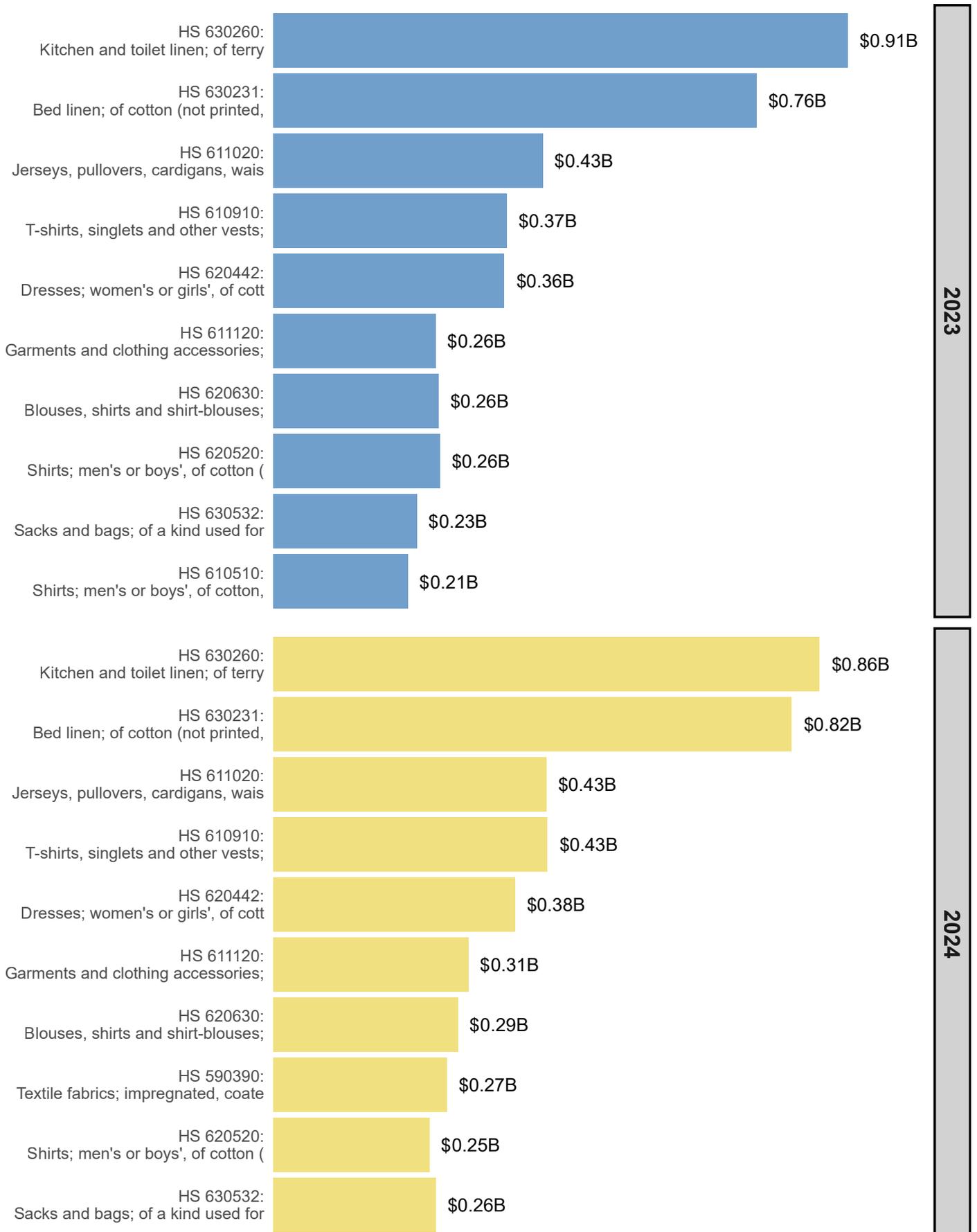
Source: Comparison conducted using HS 6-digit level data from WITS

Figure 6 Top 10 US textile and apparel imports from Bangladesh (HS 6-digit level)



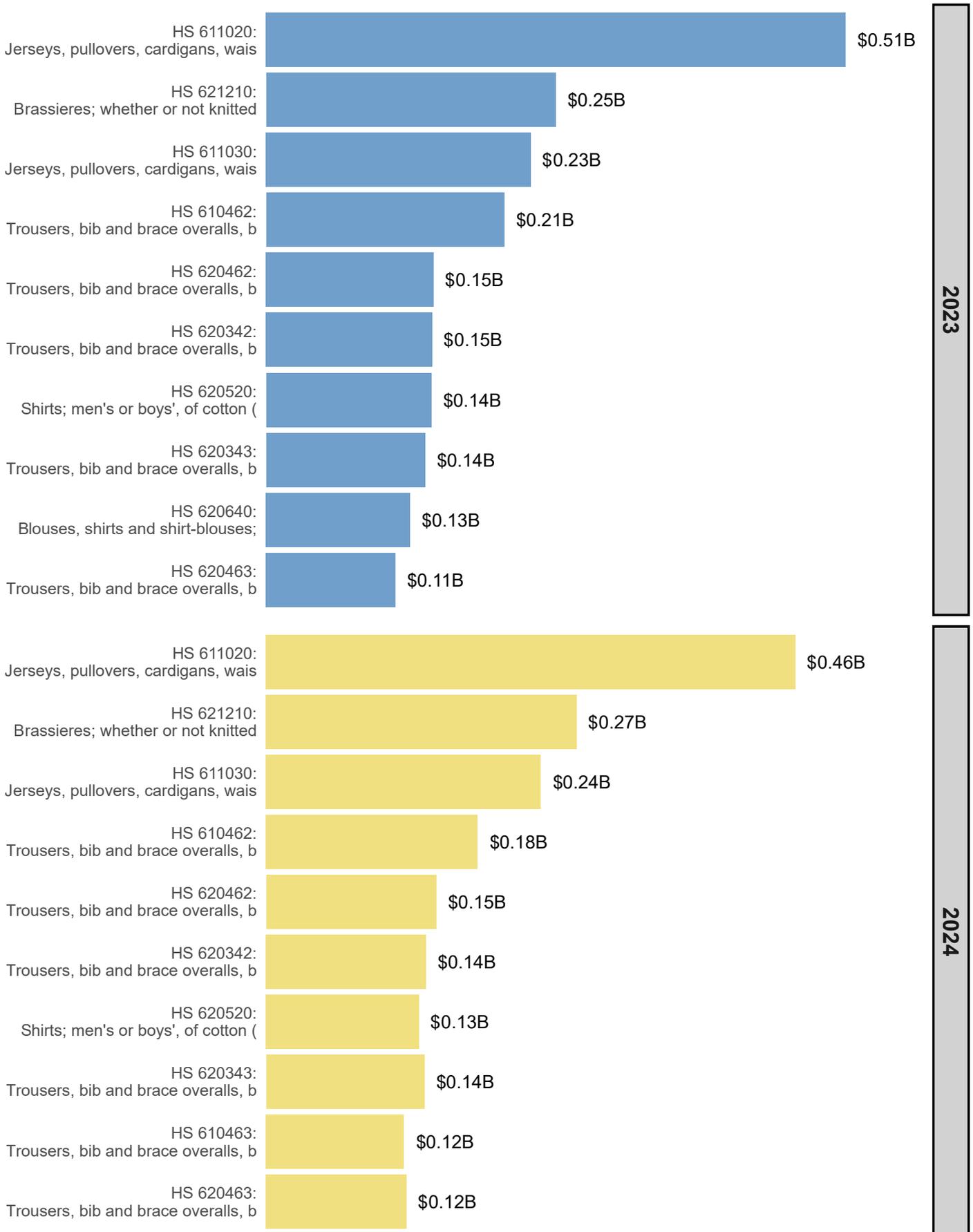
Source: Comparison conducted using HS 6-digit level data from WITS

Figure 7 Top 10 US textile and apparel imports from India (HS 6-digit level)



Source: Comparison conducted using HS 6-digit level data from WITS

Figure 8 Top 10 US textile and apparel imports from Indonesia (HS 6-digit level)



Source: Comparison conducted using HS 6-digit level data



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