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U.S. Tariff Cut Offers Pakistan Limited Relief

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The United States has reduced tariffs on Pakistani imports to 19%, undercutting rates applied to regional competitors by 1-6 percentage points. While this diplomatic win grants Pakistan modest pricing advantages in the lucrative American market, economists caution that systemic inefficiencies may prevent exporters from capitalizing on the opportunity.

Industry analysts note the tariff reduction could benefit the textile and leather sectors, which constitute 75% of Pakistan's U.S.-bound shipments. However, prohibitive domestic challenges – including 18% benchmark interest rates and electricity costs 40% higher than Bangladesh's – continue eroding competitiveness. These structural burdens offset the new 1% tariff advantage over Indian goods and 6% edge against Vietnamese products.

The State Bank's recent monetary tightening, intended to curb inflation, has inadvertently raised production costs for export-oriented manufacturers. Combined with chronic energy shortages and bureaucratic red tape, these factors neutralize Pakistan's hard-won trade concession. Market observers suggest the tariff reduction might only yield meaningful gains if paired with urgent domestic reforms to lower business operational costs.

This development presents Pakistan with a critical test of economic stewardship. The tariff concession offers a temporary window to capture market share, but lasting competitiveness requires tackling entrenched issues like circular debt and regulatory bottlenecks. Without rapid modernization, Pakistan risks squandering this opportunity – proving once again that trade policy alone cannot compensate for a hostile business climate. The clock is ticking for reforms before regional rivals adapt and erase this fleeting advantage.