National Tariff Policy 2025–30: Reshaping Pakistan's Trade Regime for Export-Led Growth

By: ICMA Research and Publications Department

Preamble

Sustainable export-led growth is crucial for Pakistan's long term economic resilience and global competitiveness. The ICMA Research and Publications Department emphasizes that achieving export-led growth will require a comprehensive strategy, integrating tariff rationalization, export diversification, and industrial upgrading within a coherent policy framework. In this context, Pakistan's National Tariff Policy (NTP) 2025-30 represents a pivotal reform, aiming to reduce the simple average tariff to around 9.7% and the trade weighted average to below 6% by FY2030 through the phased elimination of Additional Customs Duties, Regulatory Duties, and the Fifth Schedule. According to GTAP estimates, these reforms could:

- Increase exports by 10 to 14%
- Boost GDP by 2%
- Generate 7 to 9% higher revenues through enhanced compliance and investment

By fostering competitiveness and predictability, the NTP positions Pakistan to diversify its exports and integrate more effectively into global value chains. Achieving these objectives necessitates diversification beyond textiles, accompanied by substantial investment in high value sectors such as Information Technology, Pharmaceuticals, and Engineering goods, as well as the expansion of preferential trade agreements to enhance market access.

With Pakistan's current tariff burden exceeding 20%, the highest in South Asia, the policy aims to remove structural distortions, attract export-oriented investment, and integrate domestic industries into global value chains. Building upon earlier liberalization efforts, the NTP 2025-30 aspires to deliver resilient, competitive, and diversified export-led growth.

NTP 2019–24 vs. NTP 2025–30: At a Glance

Pakistan's tariff regime has undergone a significant policy evolution over the past decade. The National Tariff Policy (NTP) 2019-24 laid the foundation for a predictable, growth, oriented framework by linking tariffs with industrial policy and rationalizing import duties. Building on this base, the NTP 2025-30 takes a more strategic, reform, driven approach, focusing on export diversification, value addition, and integration into global value chains.

Feature	NTP 2019-24	What is New / Expanded in NTP 2025-30
Tariff Structure	Multiple uneven slabs with high ACDs/RDs and discretionary exemptions.	Simplified four-slab scheme (0%, 5%, 10%, 15%); phased elimination of ACDs (4 years) and RDs (5 years).
Average Duty Levels	Dropped from around 10.6% to approximately 6.7% by FY2024.	Target of 9.7% simple average customs duty by FY2030.
Scope of Rationalization	Duty removal on raw materials and capital goods across key sectors.	Focus on reducing anti-export bias; more tariff lines (around 7,000) to see cuts; emphasis on textiles, engineering, pharmaceuticals, and IT.
Duty-Types (ACD, RD, 5th Schedule)	Heavy use of ACDs and RDs; ad hoc exemptions.	Gradual phase-out of ACDs and RDs; integration of exemptions into First Schedule for transparency.
Institutional Mechanisms	Tariff Policy Board (TPB) and Tariff Policy Centre (TPC) created under NTP 2019-24 to formalize processes.	Strengthened mandates and annual recommendation mechanisms.
Economic / Trade Orientation	Focused on rationalization and input access.	Export-led, emphasizing global integration, GVCs, and green industrial growth.

National Tariff Policy (NTP) 2025–30: Significance and Export Performance Overview (Jul 2024 – Aug 2025)

The National Tariff Policy (NTP) 2025–30 marks a transformative shift in Pakistan's trade and industrial landscape by aligning the tariff regime with global competitiveness, WTO disciplines, and export diversification goals. Moving away from a revenue-oriented framework, the policy focuses on enhancing industrial competitiveness, reducing cascading effects, and fostering transparency through a simplified structure that supports long-term planning and investor confidence.

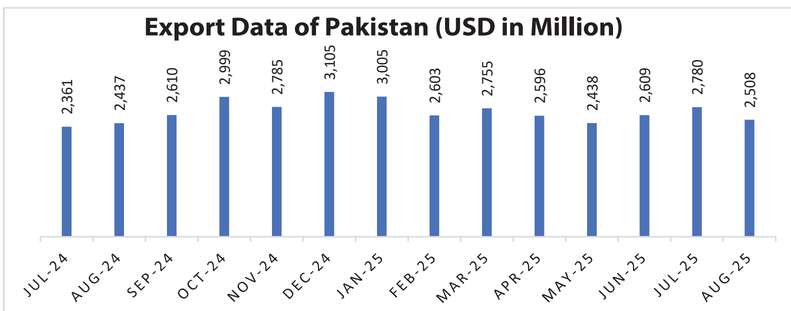
Benchmarking against successful Asian economies such as Vietnam and Malaysia, Pakistan aims to achieve tariff parity (around 9.7%) to improve regional competitiveness and integrate into global value chains. The phased elimination of Additional Customs Duties (ACDs) and Regulatory Duties (RDs) ensures greater transparency and compliance with WTO principles of predictability and non-discrimination, creating a more investor-friendly trade environment.

The policy's impact is particularly visible in strategic sectors such as textiles, engineering, ICT, agro-processing, and renewable energy, where lower input costs have spurred product diversification, technology adoption, and industrial modernization.

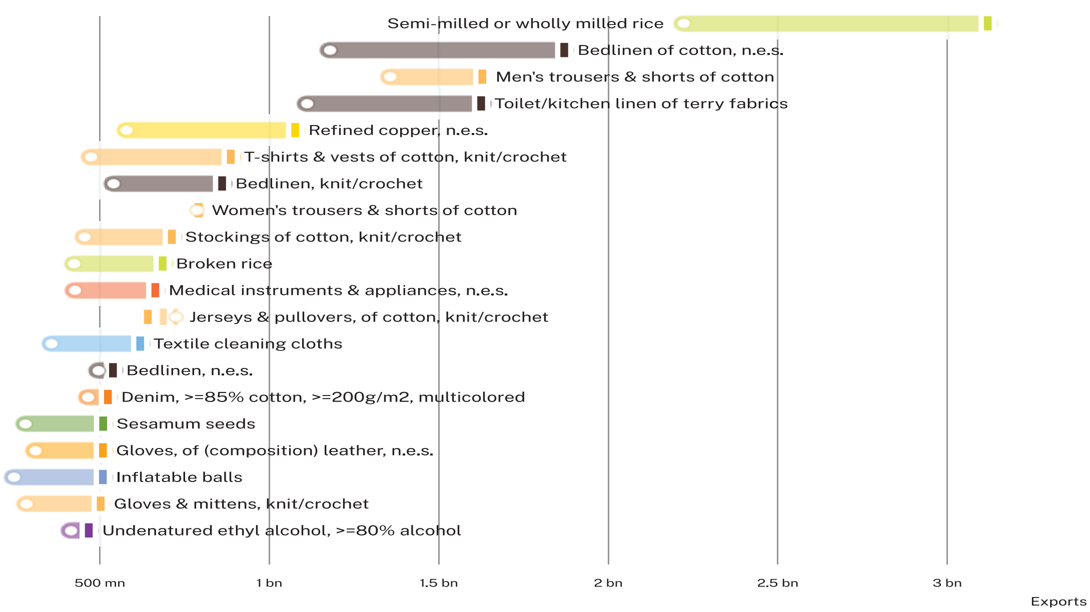
Under the evolving NTP framework, Pakistan's export performance between July 2024 and August 2025 reflects resilience and gradual stabilization:

- **Jul–Dec 2024:** Exports rose 31%, from USD 2.36 billion to USD 3.10 billion, driven by textiles and tariff rationalization.
- **Jan–Apr 2025:** Stabilized between USD 2.6–3.0 billion, amid energy cost pressures and seasonal fluctuations.
- **May–Aug 2025:** Slight decline to USD 2.5 billion, though July rebounded to USD 2.78 billion.
- **Overall:** Average exports stood at USD 2.7 billion/month (around USD 32 billion annually), marking 6.2% year-on-year growth a sign of policy-led stabilization and improved competitiveness.

Collectively, the NTP 2025–30 and recent export trends underscore Pakistan's transition toward a balanced, transparent, and globally integrated trade regime, fostering sustainable industrial and export-led growth.



Source: SBP



Link: *https://exportpotential.intracen.org/en/products/tree-map?fromMarker=i&exporter=586&toMarker=w&market=w&whatMarker=k*

Sectoral Impact and Export Diversification under the National Tariff Policy (NTP) 2025–30

Sector	Key Policy Impact (Under NTP 2025–30)	Expected Outcome on Exports	Diversification Opportunities
Textiles & Apparel	Duty-free import of raw materials (cotton, polyester, dyes); reduction of ACDs/RDs on machinery and chemicals	Lower production costs, improved competitiveness, and higher export volumes	Move beyond cotton-based goods to technical textiles, sportswear, home textiles, and blended fabrics
Engineering Goods & Auto Parts	Simplified 4-slab tariff structure (0–15%) and reduced duties on industrial components and equipment	Encourages local manufacturing and value addition, improving export quality	Diversify into precision tools, EV components, and regional supply chains
Information & Communication Technology (ICT)	Lower tariffs on hardware, components, and software; incentives for digital manufacturing	Strengthens IT hardware exports and boosts software-related services	Expand into AI solutions, fintech platforms, and IT-enabled exports
Agro-Processing & Food Products	Reduced tariffs on food machinery, packaging, and cold-chain infrastructure	Enhances export value, product quality, and food security	Diversify into processed fruits, halal foods, organic products, and agribusiness exports
Pharmaceuticals & Chemicals	Elimination of para-tariffs on APIs and intermediates; cheaper import of lab and testing equipment	Lowers production costs and improves product competitiveness	Expand exports to Africa and Central Asia; diversify into nutraceuticals and biopharmaceuticals
Renewable Energy & Green Tech	Duty-free import of solar panels, wind components, and green technology inputs	Promotes clean manufacturing and renewable energy exports	Develop solar module assembly, green appliances, and sustainable tech exports
Minerals & Metals	Rationalized tariffs on mining machinery and processing equipment	Boosts domestic refining capacity and value addition	Move from raw mineral exports to processed copper, marble, and rare earth materials
Leather & Footwear	Reduced import duties on tanning chemicals and industrial machinery	Improves design capability and export competitiveness	Diversify into high-end leather goods, sports footwear, and eco-friendly products
Automobile & Auto Parts	Comprehensive tariff rationalization aligned with Auto Industry Development and Export Policy (AIDEP) 2026–31; includes removal of ACDs/RDs, CD reductions, and review of SROs 655, 656 & 693 (2006); allows import of used vehicles under environmental standards	Enhances competitiveness, consumer welfare, and export readiness of local auto manufacturers	Expand into EV manufacturing, regional auto parts exports, and technology-driven automotive production

Key Challenges in Implementing the National Tariff Policy (NTP) 2025–30

The implementation of Pakistan's National Tariff Policy (NTP) 2025–30 faces several institutional, structural, and economic challenges that may hinder its ability to promote sustainable industrial growth, export diversification, and fiscal stability.

Area	Challenges
Risk of Premature Deindustrialization	Rapid tariff reductions without strengthening domestic industrial capacity may lead to the decline of local manufacturing sectors unable to compete with cheaper imports.
Weak Industrial Competitiveness	Pakistan's limited industrial infrastructure, low productivity, and weak value addition restrict the ability of local firms to benefit from liberalized trade regimes.
Fiscal Dependence and Revenue Pressure	The sharp reduction in average tariff rates—from 10.4% to below 6%—is expected to shrink fiscal revenues, reducing the government's ability to fund industrial, export, and social development programs.
Institutional Coordination Gaps	Overlapping mandates, weak governance, and poor coordination among relevant institutions hinder effective implementation and monitoring of tariff reforms.
Unilateral Liberalization and Erosion of Protection	Reducing maximum tariffs from 20% to 15% and removing additional duties without reciprocal trade agreements exposes domestic industries—such as automobiles, defense, and electronics—to external competition and policy vulnerability.
Political and Protectionist Pressures	Resistance from vested groups seeking exemptions or protection distorts the tariff framework, creating inconsistency and undermining long-term reform credibility.
Data and Analytical Limitations	Insufficient trade and industrial data constrain evidence-based policymaking and weaken monitoring of policy outcomes.
External and Global Policy Misalignment	The NTP's liberal orientation contrasts with current global trends, where advanced economies increasingly use tariffs, subsidies, and safeguards to protect domestic industries. Additionally, exchange rate fluctuations and global supply chain disruptions pose further risks.
Historical Ineffectiveness of Tariff Cuts	Past experiences—such as reductions from 46.6% to 14.3% between 1996 and 2005—did not enhance exports but widened trade deficits and slowed industrial growth, reflecting weak policy learning and institutional continuity.
Regional Competitiveness Challenges	Neighboring economies like India and Bangladesh continue to maintain selective protection and industrial policies, providing them a competitive advantage over Pakistan in regional and global markets.

Strategic Policy Recommendations from ICMA Pakistan

To ensure the successful implementation of the National Tariff Policy (NTP) 2025–30 and mitigate emerging structural and fiscal challenges, ICMA Pakistan recommends the following actionable measures for the Government of Pakistan:

1) Adopt a Phased and Sector-Sensitive Tariff Rationalization Approach

The government should implement tariff reductions gradually and selectively, prioritizing sectors with established competitiveness while maintaining protective buffers for strategic and emerging industries such as automobiles, defense, electronics, and IT hardware. This will prevent premature deindustrialization and sustain local employment.

2) Introduce a Cost-Based Tariff Evaluation Mechanism

Establish a cost-based tariff review framework using input–output analysis and industry cost structures to determine realistic tariff levels. ICMA can assist in developing data-driven cost models ensuring tariff adjustments are based on industrial viability rather than arbitrary benchmarks.

3) Safeguard Fiscal Stability through Non-Tariff Revenue Diversification

To offset revenue losses from declining import duties, the government should diversify its non-tariff revenue base by expanding tax coverage, improving documentation, and incentivizing domestic value addition. Targeted fiscal instruments such as productivity-linked tax rebates as it can balance competitiveness with fiscal discipline.

4) Align Tariff Reforms with Industrial Policy Objectives

The NTP should be integrated with the National Industrial Policy, ensuring tariff changes directly support domestic manufacturing, export diversification, and import substitution. Each tariff revision must be aligned with sectoral growth roadmaps and linked to measurable industrial outcomes.

5) Establish an Integrated Tariff Policy Coordination Council

Form an institutional Tariff Policy Coordination Council under the Ministry of Commerce, comprising representatives from FBR, NTC, BOI, MoF, and professional bodies such as ICMA. This council would streamline coordination, eliminate policy overlap, and ensure coherent decision-making.

6) Promote "Smart Protectionism" and Reciprocal Trade Negotiations

Rather than unilateral liberalization, Pakistan should adopt smart protectionism — lowering tariffs only in sectors where global competitiveness has improved and securing reciprocal benefits through FTAs/PTAs. This will strengthen Pakistan's negotiating leverage and protect national interests.

7) Introduce a Transitional Support Package for Vulnerable Industries

Design a time-bound industrial support program (e.g., 3–5 years) for sectors adversely affected by tariff cuts. Measures may include tax incentives, technology upgradation grants, and subsidized credit for productivity enhancement to smoothen the transition to open competition.

8) Establish a Monitoring and Evaluation Framework for NTP

Introduce a performance-based monitoring mechanism for the NTP with clear KPIs such as industrial output growth, export diversification, and fiscal revenue trends. ICMA can contribute to annual Tariff Policy Review Reports to assess outcomes and recommend mid-course corrections.

Conclusion

The National Tariff Policy (NTP) 2025–30 represents a pivotal shift toward export-led growth by reducing tariff barriers, eliminating Additional Customs Duties and Regulatory Duties, and aligning Pakistan's trade regime with global standards. Targeting a 9.7% average tariff by FY2030, it aims to boost competitiveness, attract investment, and diversify exports beyond textiles into sectors such as ICT, engineering, and pharmaceuticals. To ensure effective implementation, ICMA recommends a phased and sector-sensitive approach, cost-based tariff evaluation, fiscal diversification, and strong institutional coordination. With these measures, the NTP 2025–30 can unlock Pakistan's export potential, strengthen industrial capacity, and position the economy for sustainable global integration.

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