

Making Tariff Reform Work for Industry and Exports

Pakistan has begun implementing the [National Tariff Policy \(NTP\) 2025-30](#), which sets a five-year path towards a simpler and lower tariff structure. It envisages fewer customs duty slabs, the phased removal of additional customs duty and regulatory duty, and reduced reliance on concessionary schedules. By 2029-30, the policy aims to reduce the simple average tariff to around 9.7% and the trade-weighted average tariff to below 6%. The NTP has established both direction and broad sequence of reform. The practical question is how it can be implemented so that lower tariffs translate into greater industrial competitiveness and exports, while manageable transition risks do not lead to policy reversal.

The case for reform begins with production costs. Pakistani exporters depend on imported raw materials, intermediate inputs, components, machinery and technology. Customs duty is only one part of the import tax structure. Additional customs duty, regulatory duty and concessionary schedules can substantially change the total duty applied to raw materials, intermediate inputs and final goods. When duties increase along the production chain - a pattern known as tariff escalation - they protect final goods producers but can also raise input costs for downstream firms.

[Pakistan-focused studies](#) find that production-related imports support export performance and identify tariffs on raw materials and intermediate goods as particularly damaging. Lower and more predictable input tariffs can reduce costs, improve access to technology and help firms join global value chains. Yet tariff reduction alone will not create export growth. Despite substantial tariff liberalisation since the 1990s, Pakistan has not achieved a commensurate increase in export diversification, technological upgrading or participation in global value chains. [Energy, finance, logistics, testing and certification](#), skills and [policy uncertainty](#) remain binding constraints.

Pakistan's industrial problem is deeper than border protection. [Chatha et al. \(2026\)](#) show that manufacturing value added per worker has grown by less than 1% annually since 1991, while medium- and high-technology products have remained below 10% of manufactured exports for more than three decades. They describe this as a productivity and capability trap, reinforced by weak technology adoption, skills gaps, limited export diversification and the misallocation of finance and policy support. Their analysis suggests that greater competition will deliver better results only if viable firms can upgrade and enter new markets; otherwise, tariff cuts may lower prices without building sustained export capacity.

There is also a genuine transition risk. Reductions in tariffs on finished goods can expose firms and workers to stronger import competition before new export capacity and alternative employment emerge. Imports and revenue losses may also materialise faster than export gains, adding pressure on the trade balance, reserves and the budget. These concerns do not justify delaying or reversing the NTP, but they underline the need to monitor [sectoral impacts, provide time-bound adjustment support where justified, and manage the transition within the announced reform path](#).

[Tariff reform](#) should be accompanied by practical measures that help viable firms become more competitive, particularly through technology upgrading, skills, standards and export facilitation. Any financial support should be selective, linked to measurable improvements and provided for a fixed period, so that adjustment assistance does not become permanent protection.

Successful implementation will also require more than an announced tariff schedule. [Salman and Shah \(2026\)](#) argue that the main risks arise from weak execution, dependence on customs revenue, weak customs enforcement and political resistance. They recommend a rolling public roadmap of year-wise tariff changes, rule-based concessions with automatic sunset clauses, and an empowered secretariat responsible for implementation and reporting.

Taken together, the evidence suggests that the success of the NTP will depend not only on reducing tariffs, but on whether lower input costs translate into productivity, investment and exports. The main challenges are to help viable firms and workers adjust, address constraints relating to technology, skills, standards and finance, manage short-term fiscal and external-sector pressures, and prevent discretionary concessions from re-emerging. Credible implementation will require stronger customs enforcement, a publicly available implementation roadmap and clear institutional accountability.

This panel discussion will bring together government, exporters, import-competing industries, and analysts to:

- Assess how the announced tariff pathway can translate into lower production costs, stronger competitiveness and increased exports;
- Identify the complementary measures required for firms and workers to adjust; and
- Propose practical arrangements for monitoring, temporary support and institutional accountability.

The discussion will be guided by the following questions:

1. How can the announced tariff reforms be implemented so that lower input costs translate into greater productivity, investment and exports?
2. What practical support do firms need to become more competitive as tariff protection is reduced - particularly in technology, skills, finance, standards and access to export markets?
3. How can temporary support be limited to firms that have a realistic chance of becoming competitive, and how should it be withdrawn where performance does not improve?
4. What measures are needed to support workers and locations that may be adversely affected during the transition?
5. How can the government manage revenue and import pressures, monitor results and prevent discretionary exemptions or policy reversals during implementation?

It is hoped that the discussion will help translate the existing NTP into stronger industrial competitiveness and exports while keeping the reform credible and socially manageable.

Organisers:

Dr Irfan Chatha, Research Fellow, Sustainable Development Policy Institute, Pakistan
Email: irfan@sdpi.org

Mr Ihtisham Ul Haq, Research Assistant, Sustainable Development Policy Institute, Pakistan
Email: ihtisham_gru@sdpi.org

Ms Spogmay Khan, Research Assistant, Sustainable Development Policy Institute, Pakistan
Email: spogmay_khan@sdpi.org

Ms Amber Tasawwur, Assistant Project Coordinator, Sustainable Development Policy Institute,
Pakistan
Email: amber@sdpi.org