



CENTRE for AEROSPACE & SECURITY STUDIES

US Tariff Policies: Global Economic Impact, Trade Realignments and Pakistan's Position

Analysis Report



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INTRODUCTION




The United States (US) Administration under President Donald Trump imposed a 10 percent tariff on all Chinese imports starting 4 February 2025, which was increased to 20 percent on 4 March 2025. In response, Beijing announced a 15 percent tariffs on US LNG and coal, a 10 percent tariff on crude oil and farm equipment, and imposed export controls on rare earth minerals—moves widely seen as retaliation, reigniting trade tensions between the world's two largest economies.

Additionally, a 25 percent tariff was announced on most imports from Canada and Mexico, along with a 10 percent tariff on Canadian energy exports. While these tariffs were initially set to take effect on 4 March 2025, they were suspended for 30 days for goods compliant with the United States–Mexico–Canada Agreement (USMCA). However, a degree of uncertainty surrounding the future trajectory of these tariffs persists. Simultaneously, the Administration reinstated the full 25 percent tariff on all steel imports and raised tariffs on aluminium imports to 25 percent. President Trump also signed a directive instructing the administration to propose a new round of 'reciprocal tariffs,' signalling a further escalation in trade restrictions.

These evolving global trade dynamics necessitate close evaluation by countries, including Pakistan, to assess potential economic implications. Adopting a proactive approach and staying prepared for sudden shifts in global trade dynamics is imperative. In view of this, the Centre for Aerospace & Security Studies (CASS), Islamabad, organised a Zoom Webinar on 19 March 2025 on ***'US Tariff Policies: Global Economic Impact, Trade Realignments and Pakistan's Positions.'***

The discussion aimed to explore the effect of US tariff policies on global economic growth, trade stability, and global trade governance. It also aimed to analyse the challenges and opportunities for Pakistan amid shifting global trade policies and recommend proactive measures to safeguard the country's economic interests and trade repositioning. Additionally, it aimed to explore how the US tariff policies were being used as a strategic policy tool to achieve broader economic and geopolitical objectives and the possible future direction of US trade policy.

The distinguished subject matter experts who spoke at the webinar included:

-  Dr Manzoor Ahmad, Senior Fellow, Pakistan Institute of Development Economics (PIDE), Islamabad
-  Mr Syed Ali Ehsan, Deputy Executive Director, Policy Research Institute of Market Economy (PRIME), Islamabad
-  Dr Usman W. Chohan, Advisor (Economic Affairs and National Development), Centre for Aerospace & Security Studies (CASS), Islamabad

The discussion was moderated by Dr Usman W. Chohan, Advisor at CASS with Concluding Remarks by President CASS Air Marshal Javaid Ahmed (Retd).



EXECUTIVE SUMMARY

Dr Usman W. Chohan opened the discussion by examining the inconsistencies in US President Donald Trump's tariff policies, which targeted key trading partners such as the European Union, Canada, Mexico, and China—states that collectively accounted for half of US trade. He highlighted that while economists historically viewed tariffs as outdated and ineffective, their resurgence had forced a reconsideration of their impact. In response, the affected states had imposed countermeasures, escalating global trade tensions.

In his remarks, **Dr Manzoor Ahmad** discussed the impact of US tariffs on the global economy, comparing recent tariff impositions with those introduced during President Trump's first term. He provided a detailed analysis of how US tariff policies have affected its domestic economy. Dr Ahmad highlighted that imposing blanket tariffs on various imported products had harmed the US economy, as finding alternative suppliers was neither easy nor quick. He also pointed out that doubling of US trade deficit since President Trump's first term demonstrated that protectionist policies had not been beneficial. Meanwhile, countries like China responded to persistent US tariffs by diversifying their supply chains and maintaining competitive tariff rates.

Mr Syed Ali Ehsan evaluated the implications of US tariffs on global trade, with a focus on Pakistan's economic preparedness and potential opportunities. Drawing from game theory concepts, he highlighted that the ongoing US-China trade tensions were likely to persist, creating both challenges and opportunities for Pakistan. With reduced US-China trade, Pakistan could benefit from lower-cost Chinese imports and seize export opportunities in textiles and agriculture. However, he warned of potential disruptions for Pakistani freelancers and stressed the need for proactive engagement with US policymakers. He concluded by emphasising the importance of removing domestic supply-side constraints to capitalise on emerging trade opportunities.

Dr Usman W. Chohan gave an overview of globalisation over the past 4,000 years. He emphasised the long-cycle periodicity of globalisation as a phenomenon which waxed and waned across centuries. The most recent wave of globalisation began with the Atlantic Charter and the Bretton Woods system, shaped by the US and Britain. However, Western-dominated model of globalisation was now receding, with declining Western support linked to rising socioeconomic discontent. While globalisation enhanced living standards and the quality of life, it also contributed to negative consequences such as erosion of local industries, promotion of inequalities, and the rapid spread of diseases like Black Death and COVID-19. He highlighted that the recent return to protectionism by the US could harm its economy, raising consumer costs and risking recession. However, this shift could create new opportunities for countries like Pakistan to integrate into global supply chains, enhancing their relevance and benefiting from the changing landscape. Nevertheless, this path could still result in some loss of consumer welfare, as optimal outcomes were typically achieved through direct trade rather than complex protectionist measures.



US Tariff Policies: Global Economic Impact, Trade Realignments and Pakistan's Position

In his *Concluding Remarks*, **Air Marshal Javaid Ahmed (Retd)** expressed appreciation for the expert insights shared during the discussion, emphasising the topic's significance for Pakistan. He highlighted the ongoing global economic and geopolitical shifts, particularly the impact of recent US policies on trade, defence, and global stability. He noted that while the future remained uncertain, retaliatory trends in international relations were likely to persist. Addressing Pakistan's position, he voiced concern about the country's limited response to these global changes, pointing to economic and industrial challenges, particularly in exports and energy. While recognising the China-Pakistan Economic Corridor (CPEC)'s infrastructure progress, he noted the need for stronger policymaking to maximise its benefits.



KEY TAKEAWAYS

-  The current tariff policies are not without precedent. Before 1912, the United States maintained a highly protectionist stance, nurturing its domestic industries before entering global markets.
-  Recent US policy decisions have disrupted the international rules-based order, affecting trade and defence alliances like NATO.
-  Economists have long regarded tariffs as an inefficient and obsolete economic instrument.
-  It is imperative to situate Pakistan in the global trade war to assess multifaceted impacts on the country, considering that the US is Pakistan's largest export market and China is its largest import market.
-  In the context of trade war, Pakistan's agricultural products, services sector and textile sector can find some space in the US market and fill the supply chain gaps left by China.
-  Although the government is unprepared, some market players in the services and textile sector may be well-positioned to find new opportunities in the US market.
-  Pakistan faces serious financial difficulties, particularly in its industrial and export sectors, with energy issues being a key constraint.
-  The Bretton Woods system is currently in decline because its key pillars are no longer actively supporting it.
-  Globalisation has been a double-edged sword. While it has created wealth, expanded markets, and enhanced cultural exchange, it has also driven exploitation, inequality, and environmental harm.
-  The imposition of tariffs may provoke more retaliatory measures, potentially increasing the cost of living and hindering economic growth, particularly in the US.
-  It will be challenging for the US to find alternative sources to import products and replace multiple trading partners.
-  Tariffs must be regulated to stabilise the global economy, ensure fair competition and facilitate consumers.



PROPOSED WAY FORWARD

-  Given the shifting trade environment, there is a need to examine how the World Trade Organization (WTO)'s role has evolved and what it means for the current trade order.
-  The WTO can be an effective intermediary to resolve trade disputes and keep tariffs under international rule and regulations.
-  Given that global policies are unlikely to be easily reversed, and a tit-for-tat approach is emerging, Pakistan must anticipate these trends and develop adaptive strategies.
-  The Government of Pakistan ought to initiate dialogue with US policymakers to explore alternative supply chain opportunities for textiles and agricultural exports.
-  It is crucial for the government to involve entrepreneurs, business leaders and relevant market players to devise an appropriate strategy for gaining advantages and minimising risks from the US-China trade war.
-  Although China-Pakistan Economic Corridor (CPEC) does not have a direct linkage to the US-China tariff war, it could be leveraged to attract Chinese industries that have been affected by American tariffs.
-  Addressing Pakistan's economic challenges, particularly in the industrial and export sectors, requires targeted policymaking, especially in areas like energy and trade.
-  Regulating tariffs and bolstering the domestic economy must go hand in hand, as in the current globalised world, no country can economically thrive in isolation.
-  Discussions on these significant topics should be elevated to platforms where meaningful policy decisions can be influenced and shaped.



SUMMARY OF PROCEEDINGS

Dr Usman W. Chohan

*Advisor (Economic Affairs & National Development),
Centre for Aerospace & Security Studies, Islamabad*

Opening Remarks

The session's moderator, Dr Usman W. Chohan, opened the discussion by addressing the evolving US trade policies. He noted that while these tariffs had been announced and partially implemented, their execution was inconsistent, with frequent modifications and reversals. The primary targets of these measures, the European Union (EU), Canada, Mexico, and China, collectively accounted for approximately half of the US trade, making the issue particularly significant given the deep economic interdependence between these states and the US. Dr Chohan highlighted that economists, both in academia and practice, had traditionally viewed tariffs as outdated and ineffective economic tools. Despite the perceived inefficacy of tariffs, their resurgence had forced a reconsideration of their impact. He highlighted how these tariffs provoked strong retaliatory responses from the affected states, with the EU, Canada, and China all implementing countermeasures.

Dr Manzoor Ahmad

Senior Fellow, Pakistan Institute of Development Economics (PIDE), Islamabad

Dr Manzoor Ahmad discussed the impact of US tariff on global and strategic trade alliances through three points in time: post-World War II, President Trump's first term (2017) and his current term. He stated that the recent tariffs implemented by the US were not unprecedented. Prior to the First World War, protectionist policies were the norm in the US, covering agriculture and most industrial sectors. In the 1930s, just before the Second World War, a wave of protectionist measures, most notably the Smoot-Hawley Tariff Act, was enacted. This prompted retaliatory tariffs from other countries, exacerbating global economic conditions and severely damaging international trade relationships.

During President Trump's first term, the national emergency clause was invoked to impose tariffs on aluminium and steel. Weak domestic production and reliance on foreign suppliers were cited as threats to the US's economic security, forming the basis for these measures. The US dismissed rulings by the WTO's dispute settlement body, asserting that aluminium and steel imports fell within the realm of national security.

Dr Ahmad also mentioned that the scope and effects of tariffs during President Trump's first term were relatively limited. With the exception of China, the US managed to negotiate trade and tariff matters with most of its other trading partners. However, he observed that during President Trump's second term, the Administration was adopting a more aggressive stance on import duties and executive orders, appearing increasingly assertive in pursuing its economic objectives.



While discussing President Trump's current term in detail, Dr Ahmad noted that the tariffs imposed on China and other countries had a more detrimental impact on the US domestic economy than on foreign markets. American industries struggled, as sourcing alternative suppliers or scaling up local production across various sectors proved neither swift nor straightforward. Consequently, product prices in the US were rising sharply, sometimes by thousands of dollars, following the abrupt and broad application of tariffs introduced under the Trump Administration.

Other countries responded with counter-tariffs targeting vulnerable sectors of the US economy, particularly agriculture, which further harmed American domestic industries. Dr Ahmad highlighted that several US states were heavily dependent on electricity imports from Canada, and that strained trade relations between the two countries posed a risk to this vital energy supply. He also noted that military trade agreements, such as Canada's planned purchase of F-35 fighter jets from the US, were rolled back in protest against US tariff policies.

Dr Ahmad briefly addressed the relevance of tariff regulation in Pakistan, observing that the removal of tariffs and other trade barriers could enhance industrial competitiveness and significantly curb smuggling.

In conclusion, Dr Ahmad observed that US tariffs were inflicting more damage on the domestic economy than on its trading partners, while also straining long-standing trade relationships. Citing historical trends, he argued that protectionist measures had consistently contributed to higher inflation and rising unemployment in the US. In contrast, competing economies such as China responded by diversifying their supply chains, thereby strengthening their trade surpluses over time.

Mr Syed Ali Ehsan

*Deputy Executive Director, Policy Research Institute of Market Economy (PRIME),
Islamabad*

Mr Syed Ali Ehsan discussed the implications of US tariffs on global trade, particularly focusing on Pakistan's preparedness and potential opportunities. He began by referencing the Axelrod experiments in game theory, emphasising that the 'tit-for-tat strategy' often proves most effective in long-term trade rivalries. He linked this to the US tariffs on China, suggesting they were retaliatory and likely to persist. He noted that previous tariffs imposed by President Trump were continued under the Biden Administration, indicating a long-term shift in US trade policy.

Regarding Pakistan, Mr Ehsan noted that although the country had limited trade relations with Mexico and Canada, the US and China remained its most critical partners - US as Pakistan's largest export destination and China as its primary source of imports. With tariffs dampening US-China trade, Chinese goods may become more abundant and potentially cheaper in global markets. This shift could benefit Pakistan in the short term by enabling more cost-effective imports, particularly of industrial and consumer goods.



Mr Ehsan identified promising export opportunities for Pakistan in the textile and agricultural sectors. As the US seeks alternative suppliers to offset reduced imports from China, Pakistan's textile industry, if supported by more stable energy conditions, could potentially meet part of this demand. Likewise, agricultural products such as cotton may find new market space. He further noted that increased availability of Chinese cotton and yarn could benefit Pakistan by positioning it as an intermediary within global supply chains. Additionally, he highlighted potential implications for Pakistani freelancers providing services to American companies, anticipating possible shifts due to rising production costs in the US.

While acknowledging the current lack of preparedness on the part of the GoP, Mr Ehsan emphasised the need for proactive engagement with US policymakers to identify and capitalise on emerging trade opportunities.

He cautioned that the trade conflict could persist, driven by strategic approaches such as the 'grim trigger' or 'forgiving tit-for-tat'. Referring to a conversation with Peter Gatler from the Cato Institute, he noted that considerable uncertainty in global trade was anticipated under the Trump Administration. Mr Ehsan also drew attention to evolving dynamics in the energy market, suggesting that President Trump's pro-oil policies could help stabilise crude oil prices, an outcome with indirect implications for Pakistan's economic outlook. In conclusion, he urged the GoP to address supply-side constraints and provide robust support to domestic industries in order to capitalise on these emerging opportunities.

Dr Usman W. Chohan

*Advisor (Economic Affairs & National Development),
Centre for Aerospace & Security Studies, Islamabad*

Dr Usman W. Chohan discussed the broader concept of de-globalisation in a historical context, while assessing the implications of US tariff policies for the global economic order and potential future trajectory of the trade policies. He emphasised that globalisation had always been a cyclical phenomenon, experienced in waves over the past 10,000 years. The modern phase of globalisation gained momentum with the Bretton Woods system, which established institutions like the International Monetary Fund (IMF) and World Bank. These frameworks emphasised free trade but were largely shaped by the interests of dominant Western powers like Britain and the US. According to Dr Chohan, the Western-dominated model of globalisation was currently in recession. Both Britain and the US showed waning support for globalisation, especially given the widening gap between productivity growth and wage growth, which had fuelled social discontent. Today, new frameworks such as China's Belt and Road Initiative (BRI) and the New Silk Road were alternative motors of globalisation that were reshaping global economic dynamics.

Dr Chohan stated that there were fundamental benefits to globalisation and the modern standard of living heavily relied on wide access to goods and services. However, despite its economic benefits, globalisation had negative consequences as well. COVID-19 starkly demonstrated one of globalisation's downsides, i.e., rapid spread of disease across the world via air travel. Similarly, historical plagues like the Black Death were early examples of globalisation's deadly consequences. Beyond



health risks, globalisation had frequently been built on exploitation, theft, and violence. Even in the 1800s, for instance, vast forests were burned to create monoculture crops, disrupting local economies and causing climatic changes. Indigenous industries were often destroyed as global markets expanded.

He referred to the infant industry argument, which proposed that emerging industries should receive protection during their initial development phase before competing in global markets. The US had followed this path, maintaining protectionist policies until 1912 before opening its markets more broadly. Similarly, South Korea's focus on key industries under protectionist policies had enabled its economic rise. For Pakistan, however, protectionism had not yielded success. Despite prolonged protection for certain industries, many failed to deliver significant economic growth or innovation.

The recent shift back towards protectionism by the US reflected a return to its historical norm. However, he emphasised that tariffs were generally seen as a poor tool to achieve strategic goals. According to him, raising tax revenue through tariffs seemed unnecessary for the US since it controlled the global reserve currency and could effectively print dollars to manage its finances. Moreover, as long as the dollar remained in global demand, the US would inevitably maintain a trade deficit and attempts to force balance would only weaken its economic standing. Economists warned that tariffs typically increased consumer prices, and studies suggested they could cost the average US household up to USD 2,000 annually. This was significant, especially for US's struggling middle class. He stated that financial markets had responded negatively to these protectionist policies, signalling concerns about potential economic recession and retaliatory tariffs from other countries.

According to him, despite the challenges posed by protectionist trends, countries like Pakistan could find opportunities to enter disrupted global supply chains. However, such integration risked increased consumer costs, as disrupted supply chains often resulted in less efficient trade practices. For countries like Pakistan, the challenge would be to navigate these shifting trade dynamics while seeking opportunities for economic advancement without compromising consumer welfare.

Air Marshal Javid Ahmed (Retd),

President,

Centre for Aerospace & Security Studies, Islamabad

Concluding Remarks

In his *Concluding Remarks*, President CASS Air Marshal Javid Ahmed (Retd) expressed his appreciation for the insightful discussion led by three distinguished professionals on a subject of significant relevance to Pakistan. He concurred with Dr Ahmed's observation that this critical issue had not received the attention it deserved. Referring to ongoing global economic shifts, he noted that a significant downturn in technology stocks on Wall Street was occurring simultaneously, underscoring the interconnected nature of international developments. Reflecting on the broader international landscape, President CASS argued that the world was largely unprepared for recent policy shifts. He observed that within the first two



months of the new administration, its decisions had challenged the global rule-based order, impacting multiple domains, including trade and defence alliances such as NATO.

Regarding the future trajectory of these developments, President CASS agreed with Dr Chohan's assessment that predicting outcomes remained highly uncertain. However, he cautioned that the policies already set in motion were unlikely to be reversed easily. He also supported Mr Ehsan's assertion that a retaliatory, tit-for-tat approach in global affairs was already in motion and expected to persist. The discussion's most significant takeaway, according to the President, was Pakistan's position in this evolving scenario. He expressed concern about Pakistan's lack of substantial engagement with these global shifts, particularly in light of its economic and industrial challenges. He highlighted Dr Ahmad's remarks on CPEC, acknowledging that while infrastructure development had progressed, further policy measures were urgently needed. He emphasised that this discussion had merely introduced the topic and urged its further exploration at higher policy forums.



ANNEXURES

Profile of Speakers



Dr Manzoor Ahmad

Senior Fellow, Pakistan Institute of Development Economics (PIDE), Islamabad

Dr Manzoor Ahmad is an expert in international trade policy and currently serves as a Senior Fellow at the Pakistan Institute of Development Economics (PIDE). Previously, he was Pakistan's Ambassador to the World Trade Organization, where he continues to serve as an arbitrator for trade disputes. He has also represented the Food and Agriculture Organization at the United Nations.



Mr Syed Ali Ehsan

Deputy Executive Director, Policy Research Institute of Market Economy (PRIME), Islamabad

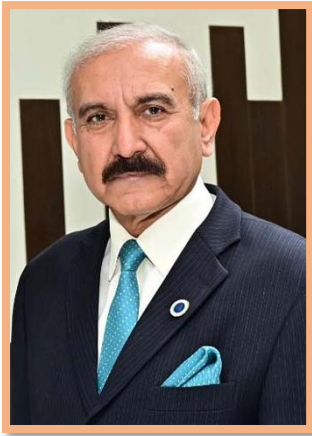
Mr Syed Ali Ehsan is a public policy specialist, serving as Deputy Executive Director of Policy Research Institute of Market Economy (PRIME) and National Consultant on eCommerce Policy with the Ministry of Commerce, Government of Pakistan.



Dr Usman W. Chohan

Advisor (Economic Affairs & National Development), Centre for Aerospace & Security Studies, Islamabad

Dr Usman W. Chohan is an international economist and academic, currently serving as Advisor to the President of CASS on Economic Affairs & National Development. He is recognised as one of the top 100 authors on the Social Science Research Network (SSRN). In the past six years, he has authored or edited eight books published by Routledge. Dr Chohan holds a PhD in economics from University of New South Wales, Australia, where his research pioneered a multidisciplinary synthesis of independent legislative fiscal institutions, and an MBA from McGill University, with additional coursework at MIT-Tsinghua. His professional background includes roles at the National Bank of Canada and the World Bank.

**Air Marshal Javaid Ahmed (Retd)**

*President, Centre for Aerospace and Security Studies,
Islamabad*

Air Marshal Javaid Ahmed (Retd) was appointed President of the Centre for Aerospace & Security Studies, Islamabad on 29 April 2024. Previously, he served as Vice Chancellor of Air University. With a distinguished career spanning approximately 40 years in the Pakistan Air Force (PAF), he has held several critical positions. His roles have included Chairman of the Pakistan Aeronautical Complex (PAC) Kamra, Officer Commanding of the Combat Commanders School, and Chief Project Director of the JF-17 Fighter Aircraft Production Program. He is recognised for his expertise in aerospace development policies, as well as doctrine formulation and implementation strategies. Air Marshal Ahmed is an alumnus of the Air War College, where he graduated in Defence & Strategic Studies. He also holds Master's degree in War Studies from the National Defence University. His skills in command and management are complemented by his advanced knowledge in emerging academic fields. Previously, he also served as Director of Policy and Doctrine at CASS, Islamabad. In recognition of his significant contributions to the Pakistan Air Force, he awarded Tamgha-i-Imtiaz, Sitara-i-Imtiaz, and Hilal-i-Imtiaz (Military).

ABOUT CASS

Established in 2018, the Centre for Aerospace & Security Studies (CASS) in Islamabad is a non-partisan think tank offering future-centric analysis on aerospace and security issues. CASS engages with thought leaders and informs the public through evidence-based research, aiming to influence discussions and policies at the national, regional, and global level, especially concerning airpower, emerging technologies, traditional and non-traditional security.

VISION

To serve as a thought leader in the aerospace and security domains globally, providing thinkers and policymakers with independent, comprehensive and multifaceted insight on aerospace and security issues.

MISSION

To provide independent insight and analysis on aerospace and international security issues, of both an immediate and long-term concern; and to inform the discourse of policymakers, academics, and practitioners through a diverse range of detailed research outputs disseminated through both direct and indirect engagement on a regular basis.

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