

Trump Reciprocal Tariffs and Bangladesh

Implications and Response



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Section 1: Trump Reciprocal Tariffs: Backdrop and Context

- On April 2, 2025, on 'Liberation Day', President Trump issued an Executive Order by using power vested under 'The International Emergency Act' and declared a *National Emergency* on the grounds of '**large and persistent annual US goods trade deficit**'.
 - As per the Presidential Order, the threat arose from 'a lack of reciprocity in our bilateral trade relationships, disparate tariff rates and non-tariff barriers, and US trading partners' economic policies that suppress domestic wages and consumption, as indicated by large and persistent annual US goods trade deficits.
 - '**Reciprocal Tariffs**' (RT) were imposed on goods imported to the US Customs Territory to the tune of a baseline tariff of 10% for some selected countries, and (adjusted) additional tariffs varying across the other countries (11.0% to 50% for 57 countries).
 - **The Executive Order Cautions:** 'Should any partner retaliate against the US in response to this action through import duties on US exports or other measures, HTSUS may be further modified to increase or expand the scope of duties'.
 - 'Should any partner take significant steps to remedy non-reciprocal trade arrangements HTSUS may be modified to decrease or limit in scope the duties imposed'.
 - 'Should US manufacturing capacity and output continue to worsen, the HTSUS may be further modified under this order.'
 - '**The order has no time limit**'.
- The Trump Tariffs have elevated trade-weighted average tariff of USA from the prevailing **2.0% to an estimated 24.0%**, a level not seen in over hundred years. Even in 1990 US import-weighted tariff was 8.0%. During the pause, the import-weighted **US tariff would be about 12.0%**.

Reciprocal Trump Tariff Calculation

- The US argued that regulatory barriers to American products, environmental reviews, differences in consumption tax rates, compliance hurdles and costs and currency manipulation and undervaluation serve to undermine competitiveness of American goods, keep US export low and imports high, and keeps the US trade balance in the negative territory.

- **Parameter selection for Reciprocal Tariff (RT):** $\Delta t_i = \frac{x_i - m_i}{\epsilon \times \emptyset \times m_i}$

➤ ϵ : Price elasticity of import demand which was set at 4

➤ \emptyset Elasticity of import prices with respect to tariff, \emptyset , was set at 0.25

Note: $X_i \rightarrow$ US Export to the country

$M_i \rightarrow$ US Import from the country

- In the final analysis, a coefficient of 0.5 was applied to the result. $\mathbf{RT} = \left[\frac{\mathbf{US Trade Deficit}}{\mathbf{US Imports}} \times \mathbf{100} \right] \left(\frac{1}{2} \right).$

- The same formula was applied to the UK with which the US had a trade surplus.

- 10% baseline tariff was put on the Heard Island and McDonald Island, which is uninhabited!

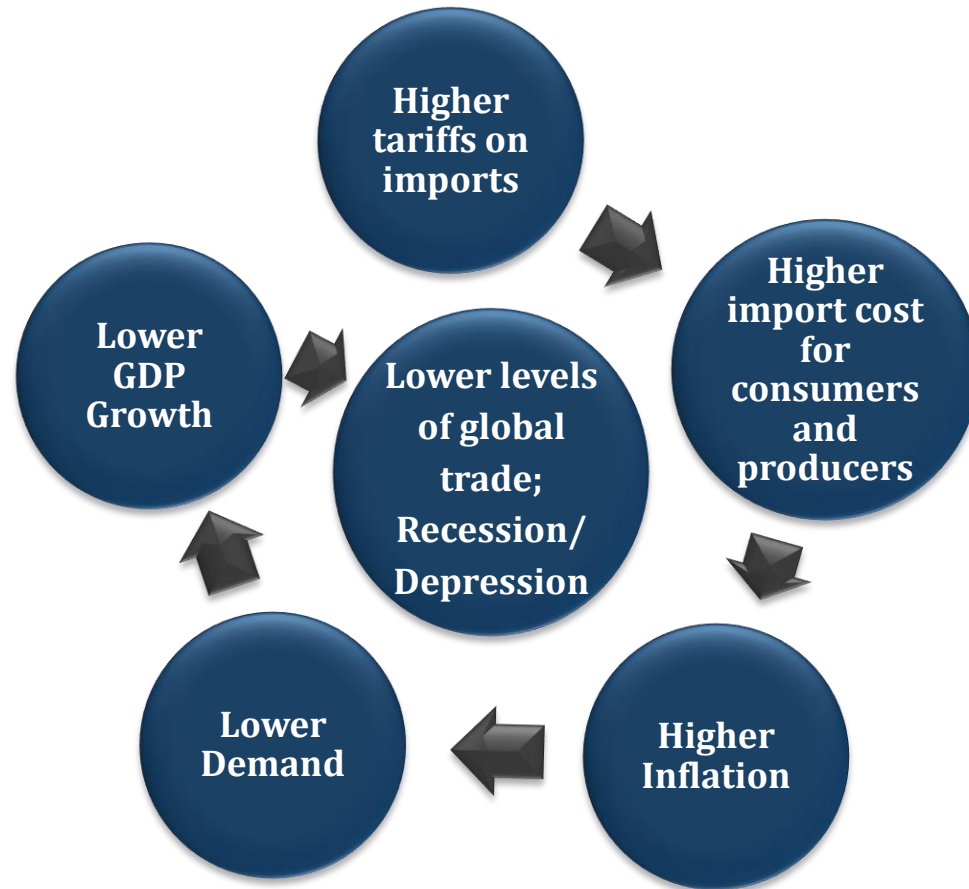
- A baseline tariff of 10.0% for all countries and RT on 57 countries.

- **Reciprocal Tariff is a misnomer.** In the end, additional tariffs were put uniformly on almost all countries.

- It needs to be pointed out that, while US does have a deficit in Trade in Goods to the tune of USD 1,200 billion in goods, it has a significant surplus in **Trade in Services**. Indeed, the services trade surplus rose from USD 77.0 billion in 2000 to USD 295.0 billion in 2024. However, the RTs considered only the US deficit in trade in goods but didn't take into cognisance US surplus in trade in services.

- To note, the US has been a major advocate of trade liberalisation and **global free trade since the end of WW2.**
- USA was a major driver of the GATT negotiations that started in 1947, and a key proponent and founding member of the WTO established in 1995.
- **US has been a key beneficiary of global opening up** and the consequent higher volume of world trade and greater economic prosperity.
 - In 2008, the US Economy was about the same size as the Eurozone Economy. In 2023, the US Economy was nearly twice that size.
 - In 1990, the average wage in the USA was 20% higher than the average industrial world; In 2023, US wage was 40% higher.
 - In 1995, the US Per capita GDP was 50% lower than Japan; in 2023, US per capita GDP was 150% higher than Japan
- **Thus, to say that the global trading regime has been immiserising for the US economy and has undermined the welfare of US citizens is not substantiated by the evidence on the ground.**

Figure 1: The Vicious Cycle of Trade Wars



- Economists, notorious for disagreeing on almost all issues, tend to agree on one fundamental **concept of economics**: the **Theory of Comparative Advantage** of David Ricardo.
- According to almost all analysts, higher tariffs and protectionist policies would shrink global trade and trigger lower global economic growth and even lead to recession, depending on the depth and coverage of tariffs.
- **The Smoot-Hawley Tariff Act of 1930**, ushering an era of protectionism in the US and other countries, and the subsequent collapse of the world trade was one of the major reasons underpinning the Great Depression of the 1930s.
- **There are no winners in trade wars. Some countries may win the battle but all countries lose the war.**

Growing Uncertainties:

- **WTO DG:** US-China trade war could reduce their bilateral trade by 80%. This would have major repercussions for global trade as well.
- The uncertainty created by US additional tariffs will have adverse implications for global investment, trade and economic growth and also could lead to lower/negative growth of US economy. This will dampen demand for export of goods overall, for all countries. Although the 'reciprocal tariffs' have been replaced by **10% additional flat tariff**, with a pause of 90 days, the consequent **unpredictability and uncertainties** will undermine investor confidence, lower global trade and will likely have adverse implications for the world economy.
- **Market Reactions:** The US stock market faced an **erosion of USD 6.0 trillion** in the first few days of trading.
- There was a consensus that this would have immediate adverse impact on the US economy. For example, Goldman Sachs lowered its 2025 Q3/Q4 GDP growth forecasts of USA to 0.5%, and projected a 45% possibility of recession within next year. The pause has led to some correction in the forecast, but uncertainties loom.
- **The Bond Market Tanked:** The bond auction on April 8th experienced subdued demand; bond prices fell.
- **US Treasury Bonds:** Also, looking at trade deficit only from one particular vantage point could be misleading. For example, a part of the trade surplus that China has with the USA and other countries goes for purchase of US treasury securities (worth USD 760.8 billion in January 2025 or about 8.9% of the total).

Table 1: Trump Tariffs: Immediate Response by Partner Countries

Strategy	Countries	Action
Immediate reconciliatory response	Israel, Thailand	Immediate response in the form of bringing down duties to zero. Inform about plans to reduce trading surplus by importing more from USA
Tit for Tat	China, Canada	Imposition of retaliatory tariff. Filing of complaints to the WTO-DSB
Opening Dialogue with the US	Majority of countries (more than 70 countries)	Going for bilateral negotiations with promise of taking various steps

Source: Review of various reports

- Powerful countries are in a passion to take retaliatory measures. And some of these already have (China, Canada).
- Understandably, weaker developing countries will be forced to negotiate with the US.

- **90-Days Pause:** The US administration was forced to back down on April 9th. The reciprocal tariffs were put on hold for 90 days. A 10% additional tariff was put in place for all countries, except China.
- A 145% additional tariff was put on imports from China. In response, China has put in a tariff of 125% on all goods imported from the USA (exceptions were made in case of some imports from China- computers, smartphones, electronics (which were moved to different tariff ‘bucket’).

Table 2: Reciprocal and Latest Additional Tariffs

Country	Reciprocal Tariff	New Additional Tariff
Bangladesh	37%	10%
Vietnam	46%	10%
Cambodia	49%	10%
China	54%	145%
Pakistan	29%	10%
India	26%	10%
Honduras	10%	10%

Source: USTR

- The revised 10.0% additional US tariffs during the 90-day pause versus the earlier Reciprocal Tariffs:
 - The magnitude of the adverse impact of additional tariffs on Bangladesh will be lower- to the tune of 10% instead of 37%.
 - The differences, and to that extent **comparative advantage** with competitors such as Vietnam and Cambodia, (of 9.0% and 12.0% respectively) will no longer be there.
 - On the other hand, the **comparative disadvantages**, to the tune of 11.0% and 8.0% with India and Pakistan, will also not be there.

- To what extent the **pass through of high tariffs** will take place involving consumers, producers and exporters, brands and buyers remains uncertain. But it is likely that each concerned agent will have to carry a share of the burden.
- Higher prices at the consumer end will reduce demand depending on the price elasticity of the demand for the product at the US end.
- While the revised tariff (at 10.0% additional) will not be as disruptive as the earlier one ('reciprocal tariff'), the extremely high tariff on China, and the consequent retaliatory tariff imposed by China, **could start a trade war** in which other countries could be drawn in.
- **Looming Unpredictabilities in Global Trade:** The initial reciprocal tariff, retaliatory tariff, the 90-day pause, selective exclusion- all these have given rise to considerable uncertainties and unpredictability in global trade. The resultant demand shrinkage will affect trade flows not only of the USA, but also affect other countries. It is highly likely that these will have adverse implications for global trade and investment flows, and consequently global economic growth.

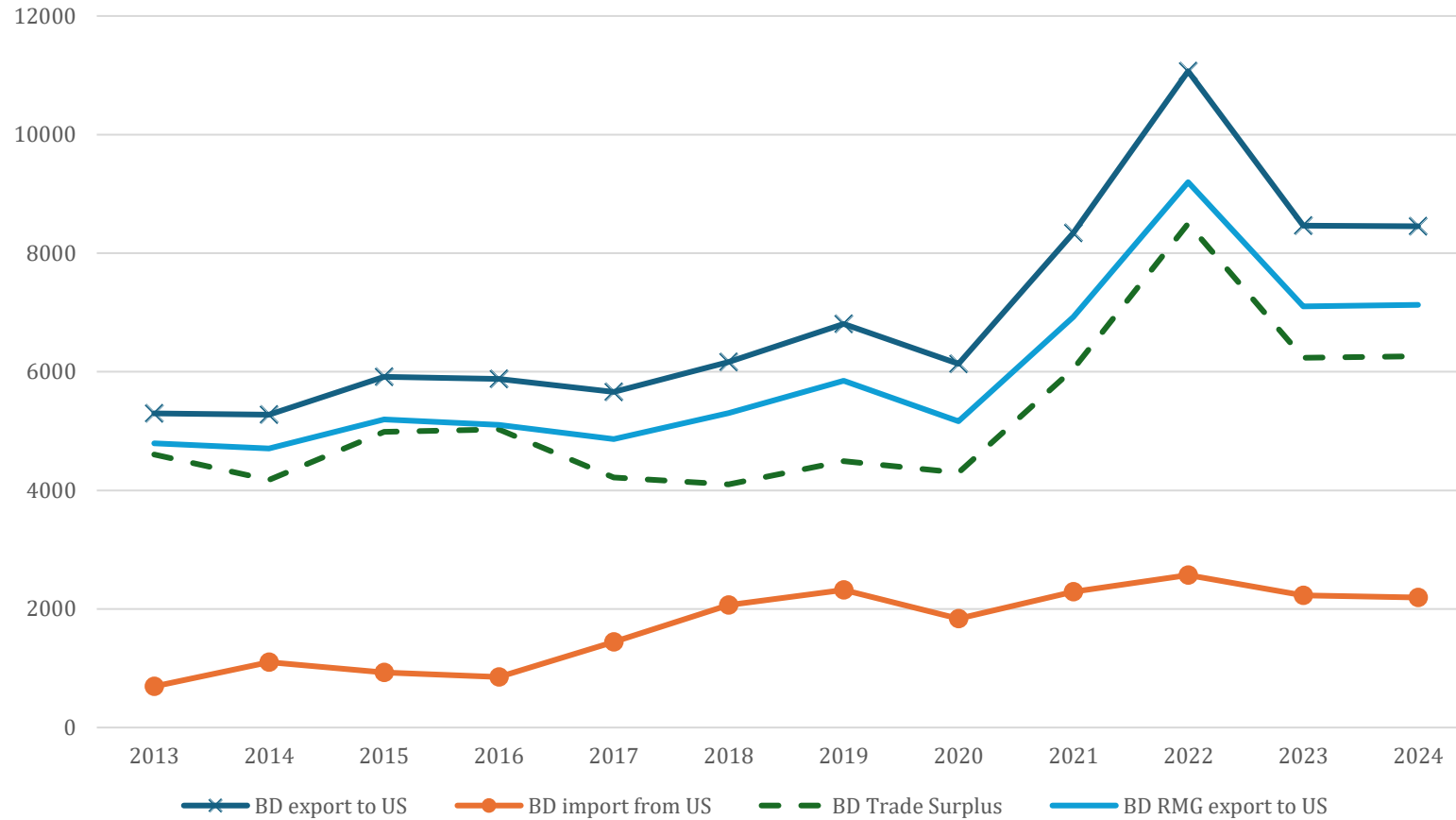
Section 2: US Additional Tariffs: Implications for Bangladesh Trade and Economy

What are the US concerns as regards to trade-related issues concerning Bangladesh?

- USTR National Trade Estimates Report (March 2025), mentioned several concerns with regard to Bangladesh trade policies: **Bangladesh's High Tariff on US imports; Non-Tariff Barriers; Lack of WTO Compliance**
 - Bangladesh is yet to submit its trade-related transparency notification as per Trade-Facilitation Agreement which the country has ratified.
 - Bangladesh has not notified its customs valuation legislation to the WTO and has not yet responded to the checklist of issues describing how the WTO Customs Valuation Agreement is being implemented.
 - Corruption, favouritism and lack of overall transparency in public procurement and rigged bidding process blocking awards to otherwise competitive US company bids.
 - IPR protection regime, and IPR violation and effectiveness of IPR policies in place.
 - Government procurement and concerns about technical specification and buildings.
 - Investment barriers; NOC requirements.
 - Subsidies and non-notification to the WTO.
 - Labour and 11 point Labour Action Plan as regards workers' rights and eligibility for restoration of the US-GSP scheme.

- Internet Services regulation that gives sweeping power to the government.
 - As regards Personal Data Protection Legislation, concerns over data localisation.
 - Investment barriers e.g., equity caps; (e.g., petroleum marketing, gas distribution and telecommunications).
 - NOC requirements for 22 sectors.
 - Subsidies (e.g., for agriculture).
 - Labour standards and discontinuation of US GSP since 2013.
 - Corruption, bribery and extortion in commercial dealings.
 - In recent times, US companies have complained about difficulties concerning remittance repatriation.
- There are some items that US exports to Bangladesh on which **Bangladesh duties are rather high**. Although **imports of these items are very low**, US may argue that it has comparative advantage in those products but its exporters are not being able to export to Bangladesh precisely because the tariffs are so high.

Figure 2: Bangladesh's Trade Trends with USA



Source: USITC

- Bangladesh's trade surplus with the USA has risen over the past years but also experienced **fluctuating fortunes** in recent years.
- It is to be noted that when additional tariffs on imports from China were imposed by USA, Bangladesh's exports rose, but then it came down.

Initial Assessment by Moody's :

- Alongside Vietnam and Thailand, Bangladesh will be particularly affected due to its economy's higher reliance on exports to the US compared to other economies in the region.
- Bangladesh's banks are among the most exposed in the Asia-Pacific region to the US tariff increases, primarily because of the country's heavy reliance on garment exports.
- The tariff shock could exacerbate existing problems faced by Bangladesh's banking system, such as poor asset quality and low capital buffers, making the sector more susceptible to credit stress.

Initial Assessment by Fitch :

- Outlook remains clouded by uncertainties.
- Will adversely affect the credit profile.
- Sovereign credit rating may be downgraded.
- Greater vulnerability because of 'relatively low external buffer'.

US- Bangladesh Trade Trends and Structure vis-à-vis USA

Table 3: Imports of Bangladesh from USA (2024)

Imports of Bangladesh from USA	No of Items	Import Value of these items (USD mln.)
Total Imported Items	2515	2,912.7
Duty Paid Items	2218	2,155.4
Duty Free Items	297	757.3
% of Duty-Paid Items of Total	88.2%	74.0%
% of Duty-Free Items of Total	11.8%	26.0%
Total Duty Paid (USD mln.)	180.5	-
Import Weighted Duty in BD on US Imports	6.2%	-
Import Weighted Duty After Adjustments for rebate	2.2%	-

Source: Estimated from NBR data

- In general, Bangladesh's customs and other duties on imported items from the USA are very low: **6.2%; if the rebates are considered** (since some import duties such as VAT & AIT are eligible for rebates), the imported weighted duties on US imports **comes to 2.2%.**
- Duties on Bangladesh's imports from USA were **USD 180.5 million** in 2024.
- If the duties on the **top 3 duty-paid imported items** are brought down to 0, duty on imports on these from the **USA will be USD 61.6 million. If this is offered on an MFN basis**, total duty loss on these 3 items will be **USD 168.1 million.**
- So, the items for offering zero-duty (reduced import-weighted duty) will need to be carefully selected .

Table 4: Duty Structure of US Imports from BD (2024)

	No of Items	Import Value of these items (USD mln.)
Total Imported Items	1208	8,451.8
Duty Paid Items	927	8,050.2
Duty Free Items	281	401.6
% of duty free items of total	23.3%	4.8%
% of duty paid items of total	76.7%	95.3%

Source: Estimated from USITC

Table 5: US Imports from Bangladesh (2024)

Products	Amount (USD mln.)	Tariff (USD mln.)	Import Weighted Tariff
US Import of RMG products	7,128.71	1,196.09	16.8%
US Import of Non-RMG products	1,323.10	77.10	5.8%
Total Import	8,451.80	1,273.19	15.1%

Source: Estimated from USITC

- Compared to import duties on US items in Bangladesh, duties charged at US end on imports from Bangladesh are much higher:
 - **Total import duties charged at US end: USD 1,273 million.**
 - **Import-weighted average tariff on all US imports from Bangladesh is 15.1%**
 - **Total US duty on imports from Bangladesh's apparels is USD 1,196.1 million.**
 - **Import-weighted US duties on US imports of apparels from Bangladesh was 16.8%.**
- A major share of the apparels items imported by US from Bangladesh belongs to cotton-based items **(70% of total RMG products)**.

Table 6: Bangladesh and USA: Comparative Tariff Scenario (2024)

Country	Import weighted Duty	Total Import Duty Collected on import from partner country	Duty free Import from partner country
Bangladesh	6.2% (2.2%)	USD 180.0 mln. (64.0 mln.)	26.0% of import value (50.0%)
USA	15.2%	USD 1,080.0 mln.	4.8% of import value

Note: Figures in parenthesis consider rebates in the form of VAT and AIT refund

Source: Estimated from NBR and USTR (2024)

Table 7: Bangladesh’s Major Competitors in US Apparels Market

Major products imported from Bangladesh by the USA		Country wise Import Value (USD mln.)									USA’s Total RMG import from World
HS Code	Products	Bangladesh	Vietnam	Cambodia	China	India	Pakistan	Indonesia	Honduras	Mexico	
61 & 62	Total RMG	7,128.71	15,110.59	3,949.12	17,345.23	4,826.67	2,191.92	4,334.84	2,458.67	2,753.60	81,323.88
62034245	Men's/boys' trousers & shorts, not bibs, not knit/crochet, cotton, not containing 15% or more by weight of down, etc., o/than rec perf outerwear	1,445.46	369.22	103.95	251.10	110.15	360.50	132.81	12.30	686.70	4,201.75
62046280	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, nesoi, o/than rec perf outerwear	722.10	696.57	322.88	624.61	113.19	406.24	137.85	1.64	114.84	3,773.71
61102020	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, nesoi	502.74	1,400.39	653.58	954.44	414.69	400.83	450.96	412.28	94.08	7,184.65
62052020	Men's or boys' shirts, not knitted or crocheted, of cotton, nesoi	493.13	278.51	21.83	110.42	241.44	6.28	130.64	37.45	24.20	1,729.19
61091000	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	484.54	329.13	80.75	289.38	413.69	148.10	55.76	513.00	298.78	4,801.68
62034390	Men's/boys' trousers, breeches, shorts, not k/c, synth fibers, con under 15% wt down etc, cont und 36% wt wool, n/water resist, not rec perf outerwear	260.50	402.55	83.46	129.00	16.90	6.57	108.36	60.52	137.73	1,690.21
61103030	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, nesoi	156.42	750.12	210.41	861.56	24.42	9.22	226.12	455.73	110.81	4,568.34
61051000	Men's or boys' shirts, knitted or crocheted, of cotton	136.84	123.35	51.10	40.75	206.50	29.41	81.76	2.24	6.45	966.60
61082100	Women's or girls' briefs and panties, knitted or crocheted, of cotton	111.72	58.73	4.92	52.57	53.05	5.31	5.11	43.14	10.58	544.02
61034210	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of cotton	109.93	260.93	123.65	74.91	40.22	87.81	57.38	53.02	3.74	1,025.15
62053020	Men's or boys' shirts, not knitted or crocheted, of manmade fibers, nesoi	101.95	137.51	9.86	106.37	28.54	0.82	49.30	79.70	58.30	755.02

Source: Estimated from USITC (2024)

- **The 7 major apparel items** exported to USA by Bangladesh account for **USD 4.52 billion** out of the total of USD 7.12 billion (62.3% of total).
- **If differential tariffs are imposed** (as in case of RTs) instead of flat duties (10.0% as is the case now), the competitiveness scenario will change.
- **Major competitors for these 7 items vary from item to item.** China and Vietnam, and for some items Honduras and Mexico, Pakistan and India are major competitors. Mexico’s exemption from RT could raise its competitiveness significantly.

Cotton-based versus Man-Made Fibre (MMF)-based exports to USA

- **In the US Apparels import market, there is significant market segmentation: Bangladesh vis-a-vis China and Vietnam.**
 - While Bangladesh's share of cotton-based exports to the USA has come down to some extent, that of **China came down from 46.5% to 19.0%**, and **Vietnam from 57.7% to 35.9% over the last decade**. China is predominantly an MMF-based apparels exporting country; to a large extent Vietnam as well. In contrast, **70% of Bangladesh's export** of apparels to the US market is cotton-based.
- **MMF-based apparels is the growing segment of apparels market in the USA.**
- Experience shows that China tends to take strategic measures to counteract US punitive measures, a key policy tool being the exchange rate policy (**e.g. deliberate weakening of the Renminbi**) and other flanking measures.
- **China has tried to circumvent earlier US sanctions** by relocating to other countries, predominantly Vietnam. Cumulative FDI of Vietnam from **China and Hong Kong was USD 61.0 billion out of a total of USD 322.0 billion**. FDI flow from China and Hong Kong to Vietnam has been on the rise in recent years (in 2023 the amount was USD 10.4 billion).
- In contrast, Bangladesh's cumulative FDI was about USD 21.0 billion as of end-2023. Net FDI was about USD 3.0 billion as of end-2023.

Table 8: Tariff Implications of 10% Flat Tariff and RT: Bangladesh Vs Vietnam in the US Market

Major products imported from Bangladesh to USA		Bangladesh					Vietnam				
HS Code	Product Details	MFN (Previous Tariff)	Newly Introduced Reciprocal Tariff	Universal 10% Tariff for 3 months	Effective Total Tariff for 3 months	Effective Total Tariff after 3 months	MFN (Previous Tariff)	Newly Introduced Reciprocal Tariff	Universal 10% Tariff for 3 months	Effective Total Tariff for 3 months	Effective Total Tariff after 3 months*
62034245	Men's/boys' trousers & shorts, not bibs, not knit/crochet, cotton, not containing 15% or more by weight of down, etc, o/than rec perf outerwear	16.60%	37%	10%	26.60%	53.60%	16.60%	46%	10%	26.60%	62.60%
62046280	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, nesoi, o/than rec perf outerwear	16.60%	37%	10%	26.60%	53.60%	16.60%	46%	10%	26.60%	62.60%
61102020	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, nesoi	16.50%	37%	10%	26.50%	53.50%	16.50%	46%	10%	26.50%	62.50%
62052020	Men's or boys' shirts, not knitted or crocheted, of cotton, nesoi	19.70%	37%	10%	29.70%	56.70%	19.70%	46%	10%	29.70%	65.70%
61091000	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	16.50%	37%	10%	26.50%	53.50%	16.50%	46%	10%	26.50%	62.50%
62034390	Men's/boys' trousers, breeches, shorts, not k/c, synth fibers, con under 15% wt down etc, cont und 36% wt wool, n/water resist, not rec perf outerwear	27.90%	37%	10%	37.90%	64.90%	27.90%	46%	10%	37.90%	73.90%
61103030	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, nesoi	32%	37%	10%	42.00%	69.00%	32%	46%	10%	42.00%	78.00%
61051000	Men's or boys' shirts, knitted or crocheted, of cotton	19.70%	37%	10%	29.70%	56.70%	19.70%	46%	10%	29.70%	65.70%
61082100	Women's or girls' briefs and panties, knitted or crocheted, of cotton	7.60%	37%	10%	17.60%	44.60%	7.60%	46%	10%	17.60%	53.60%
61034210	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of cotton	16.10%	37%	10%	26.10%	53.10%	16.10%	46%	10%	26.10%	62.10%
62053020	Men's or boys' shirts, not knitted or crocheted, of manmade fibers, nesoi	29.1¢/kg + 25.9%	37%	10%	29.1¢/kg + 35.9%	29.1¢/kg+62.9%	29.1¢/kg + 25.9%	46%	10%	29.1¢/kg + 35.9%	29.1¢/kg+71.9%

If the RTs are reimposed

Source: Estimated from USITC & USTR (2024)

- Bangladesh will need to carefully monitor the impact of US tariff from the perspective of her competitiveness vis-à-vis countries such as Vietnam.

Section 3: Trump Tariffs and the Newly Emerging Global Trading Scenario: Strategies for Bangladesh

- The implications of US tariffs on **Bangladesh's trade performance will hinge critically on**: (a) Extent of additional duties; (b) Duration of additional tariffs in place; (c) Coverage of goods and (d) Relative competitive scenario vis-à-vis competitors, and (e) Strategies pursued by competitors.

Bangladesh's Offer in HCA's Letter to the US President

- Bangladesh was one of the very first countries to take an initiative to open discussion with the USA.
- Bangladesh will actively explore opportunities of **increasing imports from the USA**.
- Proposal for a 50% reduction of tariff on US export items such as **gas turbines, semiconductors, and medical equipments**.
- Exploration of further collaboration in view of the freeze on **LNG export permit by the USA having been lifted**.
- Finalisation of dedicated bonded **warehouse facility for imported US cotton**.
- Removal of an array of **non-tariff barriers concerning US exports**.
- Elimination of certain testing requirements, rationalization of packaging, labelling and certification of requirements and undertaking of trade facilitation measures such as **simplifying customs procedures and standards**.
- Launching of Starlink in Bangladesh.
- As was noted, the vast majority of countries decided to pursue negotiation and discussion with the USA on a bilateral basis.

Table 9: Duty Structure of Bangladesh's Import from USA (2024)

Total Imported Items	Items that are duty free	Items that has 0 CD	Items that have 0 CD but have other duties	Items that have both CD and OD
2,515	297	432	135	2,083
% share of total	11.8%	17.2%	5.4%	82.8%

Note: CD= Customs Duty; OD= Other Duties

Source: Estimated from NBR database

Table 10: Duty Structure and Import Duties As Regards Bangladesh's Imports from USA (2024)

	Items		Import Value		Import Duty	
TTI	Number	Share	Amount (USD mln.)	Share	Amount (USD mln.)	Share
0%	297	11.8%	757.28	26.0%	0	0.0%
>0-10%	594	23.6%	1784.41	61.3%	65.58	36.3%
11-20%	188	7.5%	136.26	4.7%	19.92	11.0%
21-50%	752	29.9%	180.96	6.2%	55.38	30.7%
51-100%	403	16.0%	47.65	1.6%	29.26	16.2%
More than 100	281	11.2%	6.12	0.2%	10.4	5.8%
Total	2515	100.0%	2912.68	100.0%	180.54	100.0%

Note: TTI= Total Tax Incidence

Source: Estimated from NBR database

Table 11: Major Imports of Bangladesh from USA and Implications of offer of Zero Duties

Major products imported from USA				Country Wise Import Value (Value in USD mln.)												
HS Code	Tariff description	Duty in Bangladesh	Total Import of Bangladesh	USA	China	India	Brazil	Russia	Canada	Ukraine	UAE	Oman	Benin	No of Countries Bangladesh imports from	Duty on USA Imports in BD	Total Duty
72044900	Ferrous waste and scrap, nes	4%	2,141.40	778.60	12.29	-	78.70	-	-	-	46.54	13.45	-	50	31.14	85.66
12019090	Soya beans, whether or not broken other than Seed, EXCL. Wrapped/canned upto 2.5 Kg	0%	943.80	321.30	-	-	568.30	-	52.70	-	-	-	-	6	-	-
27111300	Butanes, LPG	7%	1,058.10	333.80	1.95	-	-	-	-	-	319.70	29.80	-	12	23.37	74.07
52010000	Cotton, Not Carded Or Combed	0%	3,733.80	268.70	-	684.80	700.90	-	-	-	-	-	540.10	40	-	-
27111200	Propane, Liquefied	7%	120.00	101.20	0.03	-	-	-	-	-	4.70	6.00	-	8	7.08	8.40
10011990	Durum wheat, Other than Seed, EXCL. Wrapped/canned upto 2.5 Kg	0%	2,099.10	39.60	-	4.53	-	1,005.34	572.79	332.70	-	-	-	19	-	-

Source: Estimated from USITC & NBR (2024)

- The table shows the duty implications for 3 major imported items.
- Items imported by Bangladesh from the US are also imported from other countries.
- If Bangladesh offers duty-free (or reduced-duty) import to the USA for selected items, it will need to offer the same treatment to other countries for the import of similar products (MFN principle of WTO). This will have revenue implications for Bangladesh.
- On the other hand, it is to be noted that if Bangladesh’s import duties are reduced on an MFN basis, US loses its comparative advantage vis-à-vis its competitors in the Bangladesh market.

Table 12: Bangladesh's Import of the 3 products that are mentioned in HCA's letter to the US President

Items	HS Code	Tariff Range	Import From USA (USD mln.)	Global Import (USD mln.)	DFMA Implications (mln USD)
Gas Turbine	8411	26.20%	10.5	68.9	18.1
Semi-conductor	8541	25 TO 31%	8.6	138.9	34.7
Medical Equipment	8419/9018/9022/ 9402	15 To 37 (mostly 26%)	50	248	64.5

Source: NBR

Table 13: Changes in US-Bangladesh Trade Patterns and Trump tariffs: Some Hypothetical Cases

US Imports from Bangladesh Rises	US Exports to Bangladesh Rises	Reciprocal Tariff (RT)	
		Estimated	Applied
Status quo scenario	-	74.0%	37.0%
by 100%	by 100%	74.0%	37.0%
by 200%	by 50%	87.0%	43.0%
by 50%	by 50%	74.0%	37.0%
by 50%	by 200%	48.0%	24.0%

Source: Author's Estimation

- US exports to Bangladesh will need to rise at a significantly higher rate than that of US imports from Bangladesh, if RT on imports from Bangladesh is to be reduced to any extent.

Bangladesh's strategy can include various elements:

- **TICFA:** The United States and Bangladesh signed a **Trade and Investment Cooperation Forum Agreement (TICFA)** on November 25, 2013. USTR Report emphasises that this agreement is the **primary mechanism for discussion** of trade and investment between the US and Bangladesh.
- **Bangladesh may ask the USA for a list of products** exported to Bangladesh on which it is interested to have duty-free/ reduced-duty access.
- **MFN:** As was noted, if Bangladesh offers tariff concession to the US for certain commodities, it will need to extend similar treatment to all other trading partners on an MFN basis. Depending on products, this may have important revenue implications. **An FTA with the USA would of course address this particular concern.**
- **FTA with USA:** Bangladesh may show interest in discussing about negotiating a bilateral FTA, and Investment Agreement with USA. Work on negotiating elements, if this is to be an option, will need to be undertaken with due urgency.
 - However, an FTA will require serious preparatory work in areas of compliance: labour standard; IPR; removal of perceived barriers to trade and investment; alignment of domestic regulations with US policies. On the other hand, it may be noted that the US has signed **bilateral FTAs with a number of developing countries such as Costa Rica, Dominican Republic, Bahrain, Jordan, and others.** The process and experience of these FTAs need to be carefully studied. Issues of non-reciprocal treatment and differential timelines of implementation of the trade liberalisation plan will need to be negotiated with due caution.

- **US Executive Order and Cotton Import:** “More generally, the ad valorem rates of duty set forth in this order shall apply only to the non-U.S. content of a subject article, **provided at least 20% of the value of the subject article is U.S. originating**. For the purposes of this subsection, ‘US content’ refers to the value of an article attributable to the components produced entirely, or substantially transformed in the United States”.
 - This could serve as a reference point for Bangladesh’s discussion with the US, particularly in view of Bangladesh’s import of significant amount of cotton from the USA. In terms of import of cotton, US is Bangladesh’s **5th largest import source** (accounting for 12.0% of total cotton imports by Bangladesh). For USA, Bangladesh is the **7th most important export destination** of cotton.
- **Warehouse Facilities:** Bangladesh could think of allowing special **warehouse facilities for imports of cotton from the US**. This would facilitate negotiating tariff waivers in the USA for apparels produced with US cotton.
- **Deferred Payment Facility:** Allowing financing of imports of cotton from USA, with deferred payments facilities, will incentivise Bangladesh’s imports of cotton from the USA.

- **FDI from USA:** Attracting more investment from the USA will help (a) to reduce the bilateral deficit and (b) to take advantage of the value of content requirement in the US Presidential Executive Order. In this backdrop, Bangladesh will need to undertake proactive measures to address FDI from the USA, as also from other countries.
- **Bound Rates in WTO:** Bangladesh has bound only 17% tariff lines in the WTO, at the very high bound rate of 155%. Bangladesh should take initiative to bind other tariff lines with realistically set bound tariff rates in consideration of the prevailing applied tariff rates.
- **IPR regime will need to be strengthened:** zero tolerance for counterfeit; re-exports.
- **Realignment of Global Trading Partners:** If the tariff was continued, there is a possibility that there will be a realignment of global trading powers, with new alliances (e.g. **India and China, and more broadly the BRICS countries forming new blocks**; financial institutions; trading alliances; strategies in the WTO; exchange rate policies, etc.). Bangladesh will need to be alert to these developments. Engaging with this process will, at the end of the day, be a political call.
- **More Emphasis on Regional Cooperation:** In view of the emerging volatilities in global trade, Bangladesh must proactively pursue avenues of regional cooperation (e.g., BIMSTEC) towards market and product diversification. Opportunities of FTAs and CEPAs will need to be actively explored. Need to strengthen negotiating capacity.
- **Embed Policy Responses in LDC Graduation Strategy:** Addressing global shocks, including the adverse impacts originating from recent US tariffs should be seen as an integral part of **Bangladesh's smooth transition strategy** in view of graduation from the LDC group.