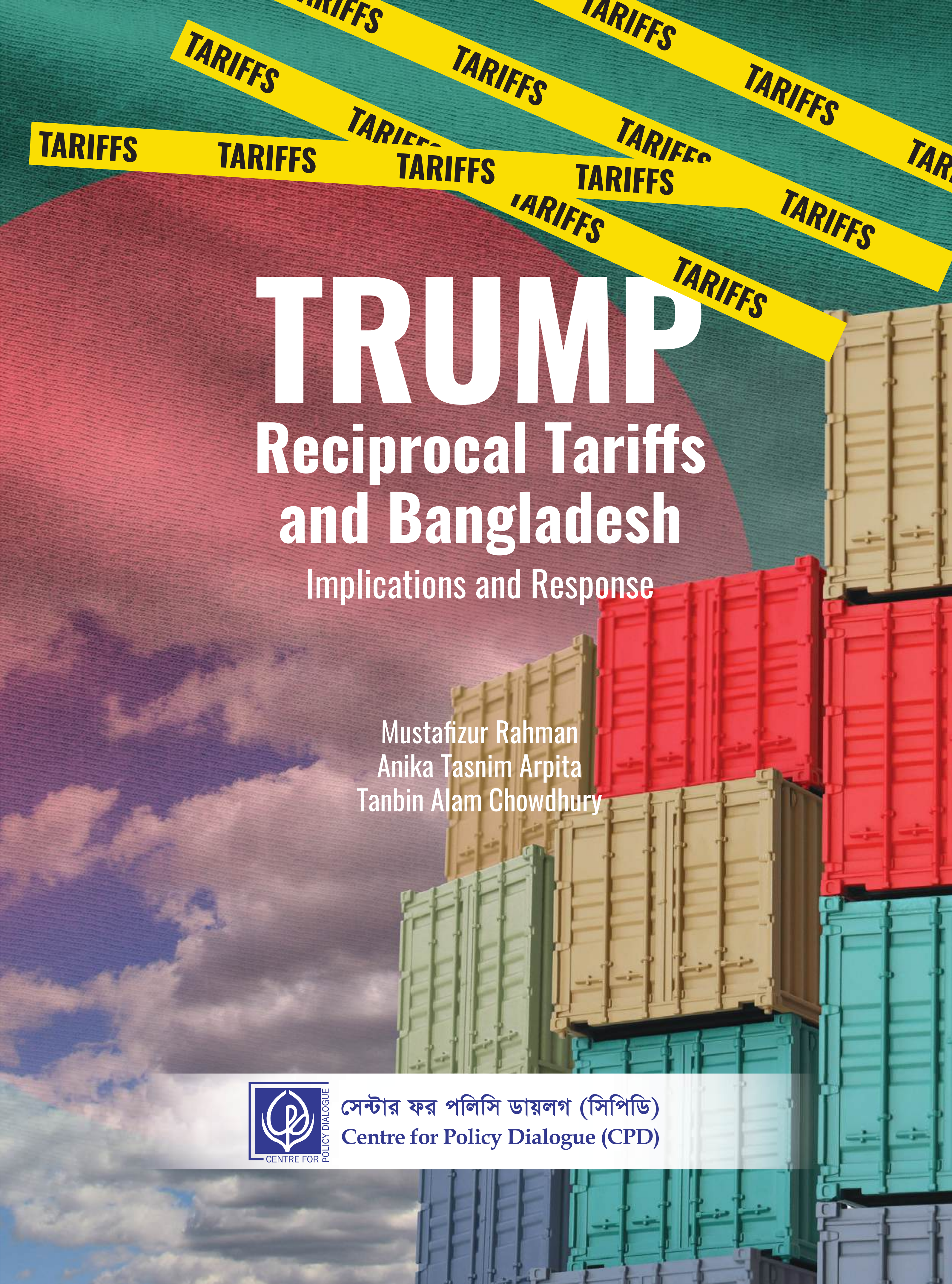

TRUMP Reciprocal Tariffs and Bangladesh

Implications and Response

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Abstract

The study investigates the possible implications of the Reciprocal Tariffs (RTs) imposed by the US President Donald Trump on April 2, 2025, as also their subsequent revisions, on Bangladesh's external sector. US remains Bangladesh's single largest export market and accounts for about 19.0 per cent of Bangladesh's apparels export, the country's most important export item. For export of footwear as well, US continues to be a major market. Against this backdrop, the potential implications of the RTs for the country's export competitiveness and export earnings, apparel industry, job market and the overall economic performance are bound to be significant. The paper undertakes an assessment of the ramifications of the RTs for Bangladesh's tariff policies, revenue mobilisation, domestic compliance and export competitiveness. The study explores some of the responses that Bangladesh may consider in view of these. The study argues that the US-RTs are not only about tariffs and non-tariff issues, but are also reflective of US's broader geo-political, geo-economic and geo-strategic concerns and interests. The study notes that Bangladesh will need to navigate all these complex issues by considering its trade interests with the USA and also by taking into cognisance the implications of its response for the country's bilateral relationships with other countries, its own geo-strategic priorities, and also its multilateral obligations particularly as a member of the WTO. The study takes a critical look at the 'non-disclosure clause' in the framework proposed by the US and argues that the Bangladesh side should have contested this clause. There was a need for mobilising a negotiating team that included representatives of all concerned stakeholders. The study considers fiscal implications of the US-RTs by making use of UN ESCAP's TINA model and makes an attempt to capture what the initial (37.0 per cent tariff in case of Bangladesh) and the paused RTs (10.0 per cent for almost all countries) could mean in terms of Bangladesh's relative competitiveness scenario vis-a-vis countries such as China, Vietnam and other competitors. The study comes up with a set of recommendations to inform the country's negotiating stance with the US and proposes setting up a strong negotiating wing to undertake the complex negotiations which Bangladesh will be required to undertake as part of its LDC graduation strategy.

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Acronyms

AIT	Advance Income Tax
APAC	Asia-Pacific
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
BRICS	Brazil, Russia, India, China, and South Africa
CA	Chief Adviser
CD	Customs Duty
CEPA	Comprehensive Economic Partnership Agreement
DFMA	Duty Free Market Access
DG	Director General
DSB	Dispute Settlement Body
DSU	Dispute Settlement Understanding
EU	European Union
FDI	Foreign Direct Investment
FOB	Freight On Board
FTA	Free Trade Agreement
FY	Fiscal Year
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GSP	Generalized System of Preferences
GTAP	Global Trade Analysis Project
HCA	Honourable Chief Adviser
HS	Harmonised System
HTSUS	Harmonised Tariff Schedule of the United States
IPR	Intellectual Property Rights

LDC	Least Developed Country
LNG	Liquefied Natural Gas
LPG	Liquefied petroleum gas
MFN	Most Favoured Nation
MMF	Man-Made Fiber
NBR	National Board of Revenue
NOC	No Objection Certificate
OD	Other Duties
RCEP	Regional Comprehensive Economic Partnership
RMG	Readymade Garments
RT	Reciprocal Tariff
SME	Small and Medium-sized Enterprises
STS	Smooth Transition Strategy
TICFA	Trade and Investment Cooperation Forum Agreement
TTI	Total Tax Incidence
UAE	United Arab Emirates
UK	United Kingdom
US	United States
USA	United States of America
USD	United States Dollar
USITC	United States International Trade Commission
USTR	United States Trade Representative
VAT	Value-Added Tax
WTO	World Trade Organization
WW	World War

INTRODUCTION

Motivation of the Study

The recently announced *Reciprocal Tariffs* (RTs) by US President Mr Donald Trump have triggered a lot of uncertainties and anxieties worldwide, both in view of trade with the US and also from the perspectives of trade and economic prospects globally. For obvious reasons, Bangladesh is no exception, particularly because the US is one of Bangladesh's key trade and economic partners. US is Bangladesh's single-most important export destination and one of the country's most important FDI sources[1] For Bangladesh, the concerns as regards the global trading regime that USA is trying to enforce, and the possible implications of this for Bangladesh's external sector performance, are very real.

The Trump RTs have put under serious threat the rule-based multilateral trading system of the World Trade Organization (WTO) which have been in place for over three decades now. The RTs are trying to establish a *new normal* in global trading regime where one witnesses the ascendency of *bilateralism* and erosion of *multilateralism*. Although the trade deals with the United Kingdom (UK), and subsequently that with China,[2] indicates that US administration is ready to demonstrate flexibility and come to mutually acceptable terms, weaker partner countries such as Bangladesh are most likely to be in the receiving end in view of any bilateral discussions with the US. The Trump tariffs are also indicative of the changing correlation of forces in the world economy that the US is trying to dictate. Through the RTs, the US is making an effort to curtail China's ascendence in the global trade and the world economy and making an attempt to reconfigure these in its own image. On the other hand, China and its allies, and also some of the other countries, would, in all likelihood, take counter measures to address their concerns. Majority of the developing countries will need to decide which way to go in view of this emerging binary scenario.

Also, it should be noted that the Trump-tariffs are not about tariff issues only. There are many non-tariff, geo-economic and geo-strategic issues involved here — for example, Bangladesh's domestic policies and compliance requirements and regulations, bilateral relationships with other countries, multilateral obligations, strategic interests and strategic partnerships. All these will need to be taken into cognisance and considered in the context of negotiations with the USA. Because of the *non-disclosure* clause in the framework of discussion prepared by the US team (to which Bangladesh had agreed) the details of US demands, Bangladesh's negotiating stance including offers made in view of US demands, US response and Bangladesh's counter-offers are known only to the Bangladesh team taking part in the discussion (more on this in the concluding section). Thus, the discussions with the USTR are being conducted against a backdrop of formidable constraints and limitations. The stance of Bangladesh team will need to be informed by the multi-dimensionality of the issues involved, some of which were noted above. Some of the offers made by Bangladesh will also have to be decided on the basis of *political call on the part of the Interim Government*. Negotiations with the USTR will need to be informed by the complexity of the issues involved and be cognisant of the attendant trade-offs. As this paper goes for publication, US President has informed Bangladesh that a 35.0 per cent additional tariff will be imposed on all imports from Bangladesh to the USA, to be effective from August 1, 2025. The Bangladesh team meanwhile is continuing its discussion with the US counterpart with the hope that a better deal could be reached before this deadline.

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[1] US remains an important trading and economic partner of Bangladesh with trade accounting for 9.4 per cent of Bangladesh's global trade in FY2023-24. Share of US investment in Bangladesh was about 5.8 per cent of total FDI stock of Bangladesh (end-December 2024)..

[2] Following the initial pause, in the course of discussions in London in June 2025, Beijing agreed to lower its tariffs on American goods to 10 per cent, while US tariffs on Chinese goods would be slashed down to 30 per cent. To note, the deal with UK has a clause that will impose some restrictions on UK as regards its trade with China. On April 11th, another 20 products were exempted from RTs, including smart phones and computers.

In consideration of the above, this paper puts the spotlight on three areas pertaining to the RTs initially imposed by the US on April 2, 2025 (varying across countries), subject to the 90-day pause (with 10.0 per cent RT on almost all countries). Section 1 focuses how Trump RTs were defined and what these would mean for global trade and economic growth. Section 2 deals with possible implications of Trump RTs for Bangladesh's external sector performance. Section 3 presents a set of policy recommendations articulating the initiatives that Bangladesh will need to pursue to address the emergent challenges.

SECTION 1: TRUMP RECIPROCAL TARIFFS: CONTEXT AND RELEVANCE

On April 2, 2025, Donald Trump issued an *Executive Order* by using the power vested in him as President of the United States under the 'International Emergency Economic Powers Act' of 1977 and declared a *National Emergency* on the grounds of 'large and persistent annual US goods trade deficit[3]'. As per the Presidential Order, the threat to the USA justifying the Order 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' (The White House, 2025). The RTs were imposed on goods imported to the US Customs Territory at the baseline tariff of 10.0 per cent, and (adjusted) additional tariffs for about 57 countries, at varying rates across countries (between 11.0 per cent to 50.0 per cent).

The Executive Order gives the US President a wide range of flexibility- he would be able to raise the RTs or reduce those. Thus, the Order cautions, 'Should any partner retaliate against the US in response to this action through import duties on US exports or other measures, *Harmonised Tariff Schedule of the United States* (HTSUS) may be further modified to increase or expand the scope of duties'. Should US manufacturing capacity and output continue to worsen, the HTSUS may be further modified as stipulated under the executive order. It is also mentioned that the Order *has no time limit*.[4] M1: The announcement also included a 37-page annex with exemptions for USD 664 billion worth of American imports, about a -fifth of the country's total.

The initially proposed RTs would have elevated the trade-weighted average import tariff of the USA from the previous 2.0 per cent to an estimated 24.0 per cent, a level not seen in over a hundred years.[5] Indeed, the US effective import tariff rate surged past levels reached particularly during the Great Depression. On April 9, a week after announcing the RTs, President Trump 'paused' those for 90 days when an additional tariff of 10 per cent was to be in place for all countries. During this pause, the average import-weighted US tariff would be about 12.0 per cent.[6] While most countries were yet to decide how to deal with the emergent situation, immediate retaliatory measures by major trading partners such as China and Canada significantly pushed up the global average tariff rate (Gourinchas, 2025).

The Presidential Order is based on the premise that it will be the US which will set the rules of the game in the global trade. In response to the retaliatory tariffs imposed on imports from the US by China, US

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[3]President Trump declared this as *Liberation Day*.

[4]The Executive Order has been challenged in US courts which the Trump administration has appealed.

[5]To note, exceptions were made in case of some imports from China- computers, smartphones, electronics (which were moved to different tariff 'bucket').

[6]Even in 1990, the US import-weighted tariff was about 8.0%. As a result of the 10.0% flat rate and consequent to the exemptions extended for certain items, US average tariffs on imports has come down from 27.0% (in view of initial Trump tariffs) to 22.0% (The Economist, April 19-25, 2025).

imposed further additional tariffs on Chinese imports.[7] The US kept the door open and offered to reduce the RTs for partner countries which would be forthcoming to negotiate trade-related issues with the USA on a bilateral basis. The Order also stipulates: 'Should any partner take significant steps to remedy non-reciprocal trade arrangements….the order may be modified to decrease or limit in scope the duties imposed'. Already, a number of countries including the UK and China have opened consultations with the US and have reached agreements as regards new levels of tariffs.

Calculation of Trump RTs

The way the RTs were estimated clearly indicates that 'high tariff on US exports' was not the only concern of the US. The Presidential Order argued that, along with the high import tariffs, *non-tariff measures* (NTMs) such as environmental compliance rules and various regulatory barriers, in place in partner countries, hinder market access of the US exports in those countries. Currency manipulation (undervaluation) also undermines the competitiveness of American goods, which leads to the country's exports losing competitiveness and imports costing high. Consequently, US trade balance is perennially in the deficit, the Trump administration argued.

However, while the aforesaid concerns of the US would understandably vary from country to country, in the end the formula for calculating the RT was the same for all countries.

The following formula was used to calculate the RTs:

Reciprocal Tariff (RT): $\Delta t_i = \frac{x_{i-}m_i}{\epsilon \times \emptyset \times m_i}$

- ϵ: Price elasticity of import demand (ϵ was set at 4)
- $\emptyset$: Elasticity of import prices with respect to tariff ($\emptyset$ was set at 0.25)

Note- X_i: Value of US Export to the country; M_i: Value of US Import from the country

A coefficient of 0.5 was applied to the above to arrive at the RT.

$$\text{RT}=\left[\frac{US\ Trade\ Deficit}{US\ Imports}\ x\ 100\right]\left(\frac{1}{2}\right).$$

The formula generated a number of highly debatable results. For example, the 10 per cent additional tariff was also applied on the UK with which the US actually had a bilateral trade surplus![8] This oversimplified formula did not take into cognisance either the context or the specificities of US's bilateral trade and economic relationship with particular countries. In this sense, the tariffs were not reciprocal but rather unilateral and arbitrary.

It also needs to be pointed out that, while US does have a deficit in Trade in Goods, to the tune of USD 1,200 billion, it has a significant surplus in Trade in Services. Indeed, US's services trade surplus rose from USD 77.0 billion in 2000 to USD 295.0 billion in 2024. However, the RTs considered only trade in goods and not trade in services.[9]

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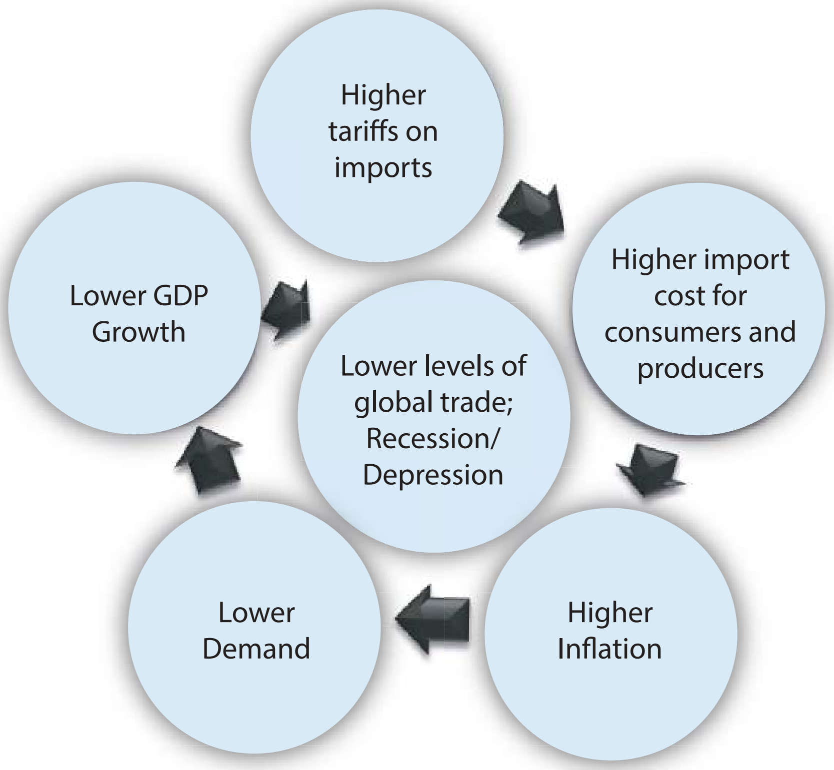
[7]Initially Trump also imposed additional tariffs on many items imported from Canada and Mexico which were its partners in USMCA. However, later on, these were withdrawn if the items met *rules of origin* (ROO) of the USMCA. The US Presidential Order left certain items out of the RTs: copper, pharmaceuticals, semiconductor, lumber, bullion, and certain other items that are not available in US.

[8]More surprisingly, a 10 per cent baseline tariff was also imposed on the Heard Island and McDonald Island, which is currently uninhabited!

[9]Some analysts have pointed out that following the same arguments put forward by the US, other countries which have bilateral deficit in trade in services could decide to impose RTs on services import from the US and other countries. There was no end to such tit for tat.

Figure 1: The Vicious Cycle of Trade Wars



Source: Authors' Illustration.

Indeed, in imposing the RTs, US has gone against its own declared stance favouring free trade and ignored the very multilateral trade regime that it had helped to establish during the post-World War II (WW2) period. To recall, the US has been a major advocate and a key driver of trade liberalisation and global free trade since the end of the second world war. The country was a major initiator of the General Agreement on Tariff and Trade (GATT) negotiations in 1947 and was a key proponent and founding member of the WTO which was established in 1995.

Also to note, by any measure, the United States has been one of the major beneficiaries of the post-WW2 global opening up through trade liberalisation. Indeed, US has made significant gains from the higher volume of global trade and greater economic prosperity that came with it. For example, in 2008, the country's Economy was about the same size as the Eurozone Economy; in 2023, its size was nearly twice that of the Eurozone. In 1990, the average wage of the US worker was 20 per cent higher than the average industrial world; in 2023, the US wage was 40 per cent higher. In 1995, the US Per capita GDP was 50 per cent lower than Japan; in 2023, the country's per capita GDP was 150 per cent higher than that of 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 at all substantiated by the evidence on the ground.

RTs and the Growing Global Uncertainties

Indeed, there is a broad consensus among economists that a rule-based, open trading regime is of benefit to all participants, generating *win-win outcomes*. Economists, notorious for disagreeing on almost all issues, tend to agree on one fundamental concept of economic theory: the *Theory of Comparative Advantage* first formulated by19th century British economist David Ricardo. According to the theory, barriers to trade in the form of higher tariffs and non-tariff barriers of various types could be detrimental not only to global trade but also to global economic welfare in general.[10] According to overwhelming majority of analysts, higher tariffs and protectionist policies work against global trade, and in the end results in lower global economic growth, and could even lead to recession, depending on the magnitude depth and coverage of the high tariffs. Thus, high tariffs of the type that the US has introduced in the global trade through the RTs could prove to be a lose-lose for all, including the United States. A vicious cycle could be triggered that would go against the interests of all countries (Figure 1).

In this connection, one may recall the adverse implications of the *Smoot-Hawley Tariff Act of 1930* which was passed by the US Congress. The Act ushered in an era of protectionism in the US, with other countries following suit. The result was the collapse of the world trade which is generally considered to be one of the major reasons underpinning the Great Depression of the 1930s.[11]

It is, however, apprehended that the likely adverse knock-on impacts of the protectionist policies pursued by the USA as also the Sino-US trade war were likely to be greater this time around. At the time, in the 1930s, US's external trade was equivalent to a mere 5.0 per cent of the US GSP. In 2024, shares of US exports and imports in the country's GDP were 11.0 per cent and 14.0 per cent respectively. For China, the two relevant figures were 20.0 per cent and 18.0 per cent.[12] Together, US (10.4 per cent) and China (17.5 per cent) account for about 27.9 per cent current of global trade (2024). These figures indicate that in today's world the implications of any disruptions to global trade were likely to be much deeper and wider than was the case in the 1930s.

One ought to recognise that there are no winners in trade wars. Some countries may win some battles, but, in the end, all countries are likely to lose the war.

The uncertainties created by US additional tariffs would have adverse implications for global investment, trade and economic growth, and also, as noted, could lead to lower/negative growth of the US economy itself. It was forecasted that the impact in terms of higher prices, consequent to high tariffs, would dampen the demand for the export of goods overall, for all countries. Not surprisingly, immediately after the RTs were announced, their repercussions started to be felt worldwide. The Director General of the WTO stated that the US-China trade war could reduce bilateral trade between the two countries by about 80 per cent and this would have major repercussions for global trade as well (WTO, 2025). Although a pause was put in place, and a selected few countries have come to an agreement with the USA, according to many analysts the ensuring unpredictability and uncertainties are likely to seriously undermine investor confidence. One will also have to understand that 'Trumponomics' is not just about tariffs and there are many other geo-economic and geo-strategic issues involved (Sattar, 2025).

[10]This is, however, not to deny the fact that interests of the weaker economies may be undermined if *trade is free but not fair*, and if adequate international support measures for the weaker economies are not forthcoming. It is generally agreed that strengthened global integration of these economies hinges critically on international support measures (ISMs) and their effectiveness. Indeed, UN's identification of least developed countries (LDCs) in 1971 as a sub-strata among the developing countries, who were to be provided with a set of targeted ISMs, originated from this understanding. The special and differential treatment (S&DT) provisions in the various WTO agreements are also informed by this consideration.

[11]It is widely believed that the global recession that ensued following the stock market crash of 1929 was, to a large extent, accentuated and deepened by the collapse of the global trade.

[12]For the EU, the two shares were 52.0 per cent and 48.0 per cent respectively.

In view of the above, immediate reactions of the stock markets worldwide is very telling. The US stock market faced an erosion of about USD 6.0 trillion in the first few days of trading after the RTs were announced (Tyagi, 2025). The bond market also experienced significant volatility. Initially, treasury yields came down as investors shifted to safe-heaven assets amid fear of global trade war. Goldman Sachs lowered its 2025 Q3/Q4 GDP growth forecasts for the USA to 0.5 per cent and projected a 45 per cent possibility of recession within the next year. The pause has led to some correction in the forecast, but uncertainties continue to loom large. According to Capital Economics, US inflation, which was slowly trending back to the annual rate of 2.0 per cent, may exceed 4.0 per cent before the end of the year[13] (The Economist, April 5-11, 2025)

Also, looking at the trade deficit only from one particular vantage point could be rather misleading. True, depreciation of US dollar would have given US exporters a competitive edge. But US dollar remains world's by far the most important reserve currency. Its value is not going to fall easily. It will not be easy for the US to increase its exports significantly and bring down the trade deficit, globally and bilaterally, through depreciation of the US dollar. Also to note, a part of the trade surplus that China has with the USA, as also surplus of many other countries, goes for purchase of the US treasury securities (China held USD 760.8 billion worth of treasury bills in January 2025 which was about 8.9 per cent of the total[14]).

Table 1: Trump Tariffs: Immediate Response by Partner Countries

Strategy	Country	Response
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 the USA.
Tit for Tat	China, Canada	Imposition of retaliatory tariff. Filing of complaints to the WTO-DSB.
Opening Dialogue with the US	Overwhelming majority of countries (as also China and UK)	Going for bilateral negotiations with promise of taking various steps.

Source: Authors' review of various reports.

Powerful countries are in a position to take retaliatory measures, and some of these have already taken such actions e.g., China, Canada. However, China and UK have already come to an agreement with the US. Understandably, weaker developing countries will be forced to negotiate and come to terms with the US.

The strategy that countries decided to pursue when the RTs were first announced were varied. Three broad approaches can be discerned as may be seen from Table 1, depending on correlation of forces and bargaining power of respective partners. It may also be noted that China submitted a formal complaint to the *Dispute Settlement Body* (DSB) of the WTO on April 4 complaining that the tariffs imposed by the Trump administration violated WTO Agreements and provisions (WTO, 2025). The legal basis for the complaint cites provisions under the GATT 1994, the Customs Valuation Agreement, and the Agreement on Subsidies and Countervailing Measures (SCM Agreement).[15] In response, on April 17th, USA informed the WTO that while contesting China's grounds for the complaint, it accepts the proposal to enter into consultation with China (WTO, 2025).

[13] The Economist, April 5-11, 2025

[14] At one point in the recent past, China held about one-third of the total value of US Treasury Bills.

[15] Indeed, the RTs violate the core principle of non-discrimination as enshrined in Article I of the WTO's founding treaty.

Bangladesh and the RTs

Table 2: Reciprocal and Latest Additional Tariffs

Country	Reciprocal Tariffs	New Additional Tariffs	Erosion of Bangladesh's advantage/ disadvantage over
Bangladesh	37%	10%	-
Vietnam	46%	10%	+9%
Cambodia	49%	10%	+12%
China	54%	145%	+91%
Pakistan	29%	10%	-8%
India	26%	10%	-11%
Honduras	10%	10%	-

Source: Calculated from USTR.

The implications of the RTs or the flat additional tariffs during the pause period need careful examination. As is to be expected, the magnitude of the adverse impact of the additional tariff of 10 per cent on Bangladesh will be less than that of the initially proposed RT of 37 per cent. As Table 2 indicates, Bangladesh's initial tariff disadvantage vis-a-vis such countries as Vietnam, and Cambodia was reduced thanks to the pause. On the other hand, the advantage exports from Pakistan and India would have enjoyed over Bangladesh, in the US market, had the initial RTs been in place, has also been eroded.

Thus, the differences, and to that extent comparative advantage with competing countries such as Vietnam and Cambodia (to the tune of 9.0 per cent and 12.0 per cent respectively), will no longer be there. On the other hand, the comparative disadvantages (to the tune of 11.0 per cent and 8.0 per cent respectively) with India and Pakistan respectively, will also no more be there.

One point is important to keep in mind. Even if the additional tariffs are same for two countries, the tax incidence will differ based on the share of domestic value addition in respective countries. For example, in case of Bangladesh's (dominant) RMG exports to the US, if the RT is 10 per cent, and the value addition, on average, is 60 per centr[16], the tariff on final goods worth USD 100 would be USD 10, but for the producer or exporter, this will actually fall on the value added amount of USD 60. This in effect would imply a tariff of USD 10 on value addition amount of USD 60, with effective tariff rate for the Bangladeshi exporters being about 16.7 per cent (and not 10 per cent).

To what extent the high tariffs will be passed on to the consumers, producers and exporters, brands and buyers remain uncertain, and yet to be seen. Much will depend on the price elasticity of tariff, and on price elasticity of demand for the particular item in the US market. The tariffs are most likely to change further in the coming days, once the pause period is over[17], in an evolving way as Mr Trump weighs the pros and cons of high tariffs and US's bargaining strength. This will also hinge on how US's bilateral negotiations with other countries proceed and, on the strategies, countries decide to pursue in view of

[16] Bangladesh has to import almost all of its cotton for the e-o RMG sector (as also, to a lower extent, yarn and fabrics for the RMG sector).

[17]On July 8, 2025.

the tariffs[18], Whatever be the magnitude of the additional tariff, in all probability workers and producers, intermediaries and consumers will each have to carry a share of the burden.

To what extent investment in US's import-substituting industries will be impacted positively thanks to the additional tariffs remains to be seen. However, for products such as apparels, it is highly unlikely that this is going to happen at all. It is not without reason that 97.0 per cent of US apparels consumption is met from overseas imports. To note, the per hour minimum wage in New York State is USD 15.50, which means that an eight-hour work generates an earning of USD 124.0. This is 21.0 per cent higher than the monthly minimum wage of a typical RMG worker in Bangladesh. Thus, at least for labour-intensive industries, (such as those producing apparels and textiles), while competitiveness scenario involving key exporting countries vying for the US market will likely change, there is hardly any possibility that the RTs are going to trigger new investment in the domestic import substituting apparels industry in the US.

While the revised tariffs (at an additional 10.0 per cent) will not be as disruptive as the earlier ones (reciprocal tariffs), and much will depend on how the tariff scenario plays out over the next months, the trade policy being pursued by the US has already given rise to considerable uncertainties and unpredictabilities in the global trade. This is detrimental to the global trade, investment, and economic growth. Further weakening of the WTO will only worsen the situation. All these do not augur well for economically weaker countries such as Bangladesh.

SECTION 2: US ADDITIONAL TARIFFS: IMPLICATIONS FOR BANGLADESH TRADE AND ECONOMY

Inspite of softening of the stance by US President Donald Trump, businesses are already experiencing disruption, global supply chains are being adversely affected, and orders are being delayed or held back. These are being felt by Bangladesh as well. Brands and buyers are asking Bangladesh's producers and exporters for discounts. This is particularly pertinent for the apparels sectors of the country. Cash flows of companies and enterprises are being adversely impacted. US consumer confidence is already on the decline, and this is likely to result in a fall in consumer demand. As countries restrategise, with likelihood of some trade diversion favouring the EU and other destinations, away from the USA, Bangladesh will need to be alert to the changing and evolving global trading scenario. To also note, all these challenges are happening at a time when Bangladesh's RMG entrepreneurs are trying to make inroads into the MMF-based apparels segment of the US market. Also, this is taking place at a moment when Bangladeshi enterprises and entrepreneurs are having to gear up for increasing requirements in areas of compliance (environment, labour, CO2 emission, etc.) and facing challenges associated with the upcoming LDC graduation[19], (particularly in view of market access to the EU).

The brands and buyers are likely to try to split the additional tariff between themselves and producers and suppliers (Rahman and Arpita, 2025). The relative share is not known as yet. Even a 5.0 per cent additional tariff on the FOB price will be difficult for Bangladesh's apparels entrepreneurs to absorb, particularly at a time when prices of gas, energy, and other inputs are on the rise and costs of borrowings have gone up significantly.[20] Thus, the impact will be significant, particularly for the SME producers and enterprises whose profit margins tend to be rather thin.

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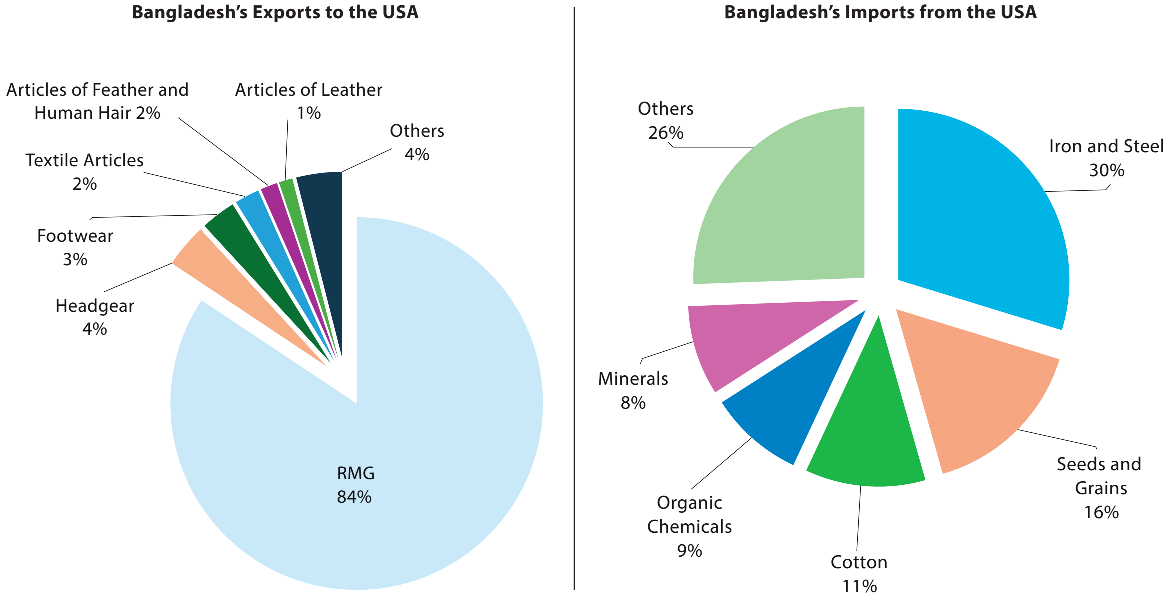
[18]Results of US President Trump's negotiations with China and UK are indicative of this.

[19]As is known, Bangladesh is expected to graduate out of the group of LDCs on November 24, 2026.

[20]Anecdotal information from KIIs with some exporters indicate that that is what some of the buyers are asking from them.

Figure 2: Bangladesh's Exports to and Imports from the USA (2024)



Source: Estimated from EPB (n.d), and USITC.

Bangladesh-US Trade Pattern and Trends

As was noted, if the EU is not considered as a single unity, US market remains Bangladesh's single most important export destination with 17 per cent of the country's global export in FY2023-24.[21] This is primarily accounted for by apparels (Figure 2): about 18 per cent of Bangladesh's total apparels exports are destined for the US market; about 90 per cent of Bangladesh's exports to the US are items of apparels (84 per cent) and other textiles items. Imports are more diversified, with iron and steel (30 per cent), seeds and grains (16 per cent) and cotton (11 per cent) dominating Bangladesh's import basket from the USA.

As Figure 3 testifies, Bangladesh's trade surplus with the USA has risen over the past years. However, Bangladesh's exports have experienced fluctuating fortunes in recent years, with the peak reaching in 2022, and decline thereafter some.

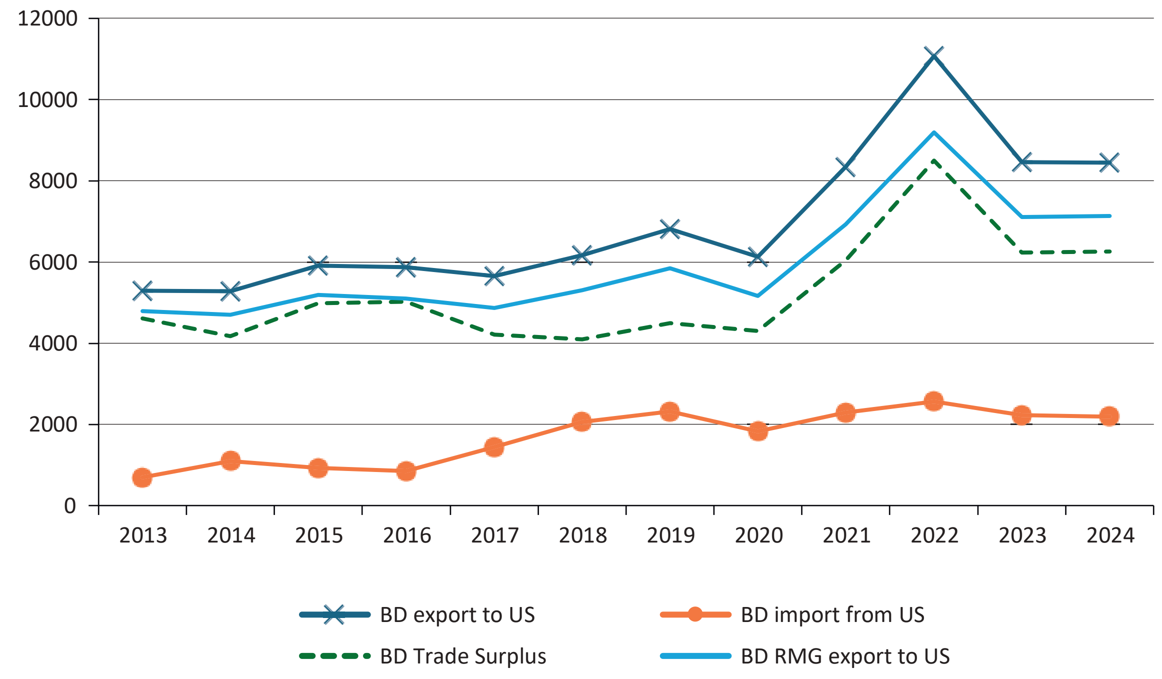
It is to be noted from Figure 3 that when additional tariffs on imports from China were first imposed by the USA in 2016[22], Bangladesh's exports initially posted some rise but then came down in recent years although the Biden administration had continued the tariffs. China being the largest exporter of apparels to the US market, and apparels being the key export item of Bangladesh, the export trends indicate that tariff differential is not the only factor that decides competitive strength.[23]

[21]The second most important export destination is Germany (11 per cent of total exports in FY2023-24).

[22]During Trump's first term administration (Trump1.0), additional tariffs were imposed on imports of many items from China to the USA, which was also the case for some other countries.

[23]Unless the tariff differentials are very high. Also much depends on how other competitors are positioning themselves.

Figure 3: Bangladesh's Trade Trends with USA



Source: USITC.

US Concerns as Regards Trade-related Issues vis-a-vis Bangladesh

As Bangladesh prepares to hold bilateral talks with the United States Trade Representative (USTR) office, it will be good to take cognisance of the concerns that the US has expressed as regards bilateral economic relations with Bangladesh. USTR *National Trade Estimates Report* (March 2025) mentions several worries in this connection: (a) Bangladesh's high tariff on many items imported from the US; (b) Non-tariff barriers; and (c) Non-compliance with WTO requirements.

The report makes the following points as regards the above: Bangladesh is yet to submit its trade-related transparency notification as per *Trade-Facilitation Agreement* of the WTO which the country has already 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; Bangladesh has not notified the WTO about the subsidies given to various sectors; Corruption, favouritism and lack of overall transparency in public procurement; corruption, bribery and extortion in commercial dealings; Government procurement and concerns about technical specification; Rigged bidding process blocking awards to otherwise competitive US companies; IPR protection regime, and IPR violation and effectiveness of IPR policies in place; NOC requirements; Concerns about state of implementation of the 11 point *Labour Action Plan* as regards workers' rights, and the efforts towards ensuring eligibility for restoration of the US-GSP scheme; Internet services regulation that gives sweeping powers to the government; Concerns over data localisation as regards *Personal Data Protection Legislation*; Barriers to investment e.g., caps on equity participation[24]; NOC requirements for

[24]Sectors such as petroleum marketing, gas distribution and telecommunications were mentioned.

22 sectors. USTR was also concerned that US companies had complained about difficulties in repatriating profits from Bangladesh.

It is true that there are some items of import from the US on which duties in Bangladesh are very high. Although imports of such items from the USA 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.[25]

Initial Assessment

Initial assessment by Moody's indicates growing concerns as regards possible adverse implications of Trump tariffs on the Bangladesh economy (Moody's, 2025). Alongside Vietnam and Thailand, the report observes, Bangladesh is envisaged to be particularly affected due to its economy's higher reliance on exports to the US compared to other economies in the region. The report further alerts that Bangladesh's banks are among the most exposed in the Asia-Pacific region to the US tariff increases, primarily because of the country's high 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, the assessment notes.

Assessment by Fitch also confirms Moody's observations (Fitch Ratings, 2025). According to Fitch, the outlook remains clouded by uncertainties. The Fitch report reaffirms the vulnerabilities and risks facing the Bangladesh economy which were pointed out in the Moody's report. The emerging scenario is likely to adversely affect the credit profile of Bangladesh, the assessment warns. The report expresses apprehension that Bangladesh's sovereign credit rating may be downgraded. According to Fitch, Bangladesh is particularly more vulnerable because of 'relatively low external buffer'.

Raihan and Sen (2025) have attempted to capture possible effects of the RTs on trade and economic growth of various countries using GTAP model. Two scenarios are simulated- first, the impacts of 10 per cent flat tariff (the 90-day pause variant), and second, the impacts of the RTs announced on April 2. Both scenarios consider the higher duties on China (as also Canada and Mexico). Under the two scenarios, Chinese exports shrink by 10.8 per cent and 10.9 per cent respectively; for the US, the two figures are 11.7 per cent and 14.9 per cent respectively. Under the first scenario, Bangladesh (as also Vietnam, Cambodia, and Pakistan) may benefit, perhaps due to possible *trade diversion*. However, unlike Cambodia and Indonesia which post positive export growth under the second scenario (thanks to a more diversified export base), Bangladesh's exports are likely to suffer negative growth. Under the second scenario, almost all countries experience negative GDP growth, at varying degrees-Bangladesh's GDP growth impact is estimated to be at -0.3 per cent. While the actual impact will depend on how the RTs are fixed with individual countries, through future negotiations, these results provide some idea about the possible disruptions to economic and trade preference of individual countries.

The actual implications of US tariffs on Bangladesh's trade performance will hinge critically on several factors: (a) depth of additional duties; (b) duration of additional tariffs in place; (c) coverage of goods; (d) relative competitiveness scenario vis-à-vis competitors; (e) what Bangladesh offers to the US; and (f) strategies pursued by Bangladesh's competitors in the US market.

[25]Although if the tariffs are reduced on an MFN basis, competitiveness of US companies vis-à-vis other companies exporting to Bangladesh is likely to remain unchanged.

Bangladesh will need to formulate its strategy by taking cognisance of these factors and calibrate its options by keeping an eye on the evolving scenario.

Import Duty Structure and Implications of Offer of Preferential Access

Table 3: Imports of Bangladesh from the USA (2024)

Imports of Bangladesh from the 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.

As Table 3 testifies, overall, Bangladesh's customs and other duties on imported items from the US are rather low: import-weighted tariff rate is estimated to be about 6.2 per cent. If the rebates are considered[26], the import-weighted duty on imports from the US comes down to only about 2.2 per cent. Our estimates suggest that total amount of duties collected by Bangladesh's imports from the USA was about USD 180.5 million in 2024. If duties on the top three duty-paid imported items from the USA[27] are brought down to zero, the duty loss would be about USD 61.6 million. If this same preferential access is offered to all the other countries on a most favoured nation (MFN) basis[28], the total duty loss on these three items would be to the tune of USD 168.1 million. Accordingly, any decision as regards duty-free (or reduced-duty) market access to be offered for imported items from the US will need to be carefully examined.

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

Description	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 paid items of total	76.7%	95.3%
% of duty-free items of total	23.3%	4.8%

Source: Estimated from USITC.

[26]Importers of Bangladesh can claim return of some of the duties charged at the import stage such as Advance VAT (A-VAT) and Advance Income Tax (AIT).

[27]These are iron scrap (HS72044900), LPG (HS27111300) and liquified propane (HS27111200).

[28]MFN principle of the WTO stipulates that import duties on any item should be the same for all countries from which the item is imported (*favour one, favour all*), excepting imports from countries which are members of various types of trade alliances e.g., FTA partners.

As Table 4 bears out, almost one-fourth of all the items imported by the USA from Bangladesh are duty-free. However, the import value of these items, at 4.8 per cent of total US imports from Bangladesh, is rather low. In a way, this speaks of Bangladesh's lack of export diversification and overdependence of the country on exports of readymade garments on which US duties tend to be very high.[29]

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 the import duties charged by Bangladesh on items imported from the US, the duties charged at the US end on imports from Bangladesh are much higher (Table 5). This is primarily because while US average import tariffs are very low, at 2-3 per cent, tariffs on apparel items tend to be significantly high, between 10-30 per cent. Total import duties charged at US end on imports from Bangladesh came to about USD 1,273 million in 2024. Import-weighted average tariff on all the US imports from Bangladesh is estimated to be about 15.1 per cent. Total US duty on imports from Bangladesh's apparels was found to be USD 1,196.1 million which would mean that import-weighted US duties on US imports of apparels from Bangladesh was 16.8 per cent.[30]

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

Country	Import weighted Duty	Total Import Duties 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	16.8%	USD 1,273.0 mln.	4.8% of import value

Source: Estimated from NBR and USTR (2024).

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

Table 6 summarises the relative picture as regards import tariffs in place, and import duties collected by Bangladesh and the USA. As the table shows, total import duty collected at the US end was about six times higher than that of Bangladesh; if the duty rebates in Bangladesh are taken into cognisance, this amount will be about 16.8 times higher. If the average import-weighted tariff is compared, US tariff would be 6.9 times more than that of Bangladesh (considering the duty rebate). The question that begs answer is who is actually extending market access to who.

Relative scenario vis-à-vis key competitors

Table 7 presents major items of import from Bangladesh by the US. Understandably, all top items belong to the apparels category. The 7 major apparel items exported to the US by Bangladesh account for USD 4.52 billion out of the total apparels export of USD 7.12 billion to the US market (62.3 per cent of total).

[29]The only other export of note (other than apparels) is footwear (which accounts for 3 per cent of Bangladesh's total export to the US market.

[30]However, some items of exports from Bangladesh face import duties as high as 36 per cent in the US (e.g. MMF apparels with polyester content).

Table 7: Bangladesh's Major Competitors in the US Apparels Market

Major products imported from Bangladesh by the USA		Country-wise Import Value (USD mln.)									
HS Code	Products	Bangladesh	Vietnam	Cambodia	China	India	Pakistan	Indonesia	Honduras	Mexico	USA's Total RMG import from World
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 and shorts, not bibs, not knit/crochet, cotton, not containing 15% or more by weight of down, etc., o/than rec perf outwear	1,445.46	369.22	103.95	624.61	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 outwear	722.10	696.57	322.88	954.44	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	110.42	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	289.38	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	129.00	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 outwear	260.50	402.55	83.46	861.56	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	40.75	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	52.57	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	74.91	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	106.37	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		28.54	0.82	49.30	79.70	58.30	755.02

Source: Estimated from USITC (2024).

If differential tariffs are imposed (as is the case with the RTs) instead of flat duties (10.0 per cent as is the case now), the competitiveness scenario would undergo significant changes. As is seen from Table 7, major competitors for the aforesaid items vary, from item to item. For some items, major competitors of Bangladesh are China and Vietnam; for some others Honduras and Mexico; for yet others Pakistan and India are major competitors. Mexico's exemption from RT (as member of the USMCA FTA)[31] was likely to enhance its competitiveness for some items vis-à-vis Bangladesh.

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

US apparels market has two major components: cotton-based and man-made fibre-based. While over the recent past decade Bangladesh's share of cotton-based exports to the USA in total exports of apparels has come down to some extent, from 75 per cent to 63 per cent, that of China came down more sharply, from 46.0 per cent to 19.0 per cent; so also has been the case with Vietnam whose share came down from 58.0 per cent to 36.0 per cent over the same period. Thus, China is now predominantly an MMF-based apparels exporting country, to a large extent Vietnam as well. In contrast, as was noted, two-thirds of Bangladesh's export of apparels to the US market is cotton-based. It is also to be noted that MMF-based apparels is the growing segment of apparels market (in terms of share in total imported apparels) in the US as also globally, accounting for about 70 per cent of the country's total imports of apparels.

Experience shows that China tends to take several counter measures whenever US takes punitive measures against the country. One of its key policy tools is the exchange rate policy (e.g., deliberate weakening of the *Renminbi*), countermeasures and others. China tried to circumvent earlier US sanctions by relocating some of its industries to other countries, predominantly Vietnam (and to a lesser context, Cambodia) and exporting to the US market from there. As of 2023, cumulative FDI inflow of Vietnam from China and Hong Kong was about USD 61.0 billion out of a total FDI stock of USD 322.0 billion. Also to note, FDI flows from China and Hong Kong to Vietnam have been on the rise in recent years (in 2023 the amount was USD 10.4 billion).[32]

Thus, the argument that Bangladesh could gain significantly from the high US tariffs on imports of apparels from China should be taken with a grain of salt.[33] Firstly, China has learned to circumvent the tariffs by relocating industries in Vietnam, as also Cambodia and other countries. Secondly, China's export of apparels is mainly concentrated in man-made fibre-based segment of apparels. Thirdly, China was likely to depreciate its currency as a strategy to remain competitive. And fourthly, China's strategy will likely be to remain engaged in negotiations with the US and extract best possible deals. This, it has already done.

As will be argued in the next section, Bangladesh should try to attract Chinese investment, that targets the US market and take advantage of the relatively lower tariff on items of exports from Bangladesh to the US market. However, there is a likelihood of lose-lose results for all due to demand shrinkage in the US originating from the additional import tariffs. In view of this, there was a likelihood that exports to the US from almost all countries could decrease, albeit to varying extent, depending on the range of the tariff rise. Also, as is already visible, in the coming days countries will be negotiating with the US on a bilateral basis, and much will depend on outcomes of the negotiations.

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[31]US-Mexico-Canada Free Trade Area.

[32]To contrast, Bangladesh's cumulative FDI was about USD 21.0 billion as of end-2023. Net FDI flow in FY2023-24 was about USD 1.4 billion (Bangladesh Bank).

[33]In consideration of the latest exemptions, the average effective rate on Vietnam's goods will fall to about 7 per cent since close to a-third of its exports to US, largely technology products, are exempts from the RTs. However, apparels items remain very much within the ambit of the RTs.

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

Major products imported from Bangladesh to the 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 outwear	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 outwear	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%

Source: Based on ANNEX 1.

Several factors will impact on the price levels charged by the US importers in view of import duties, competitiveness scenario facing particular countries and the demand at the consumer end. Table 8 presents comparative tariff scenario facing Bangladesh and a key competitor of the country, Vietnam. The initial RTs gave Bangladesh some advantages in the form of relatively lower tariffs by 9 per cent. However, the 10 per cent uniform tariff during the 90 days pause leaves the tariff scenario facing the two countries at the same level, for the same products (at 10 per cent additional tariffs on similar items exported by the two countries over and above the tariff rate for the particular tariff line). However, as was noted, what prices the respective importers will charge at the consumer level remains to be seen. As was noted, major brands and buyers will try to put some of the burden on suppliers and producers. They themselves will also bear some of the brunt. A lot will depend on the negotiating power of suppliers/ exporters vis-à-vis the brands and buyers. Depending on how the additional tariffs are shared (between the various agents in the supply chain), import prices may vary although import duties (MFN+ additional tariff) will remain the same. This would mean that during the pause competitiveness scenario will change not because of tariffs charged on the particular item, but on the extent of the pass through of the tariff to the price of the item exported by each of the exporting countries. Bangladesh will need to carefully monitor the impact of US tariffs on its export performance in the US market as also the changes in the price of its competitors such as Vietnam for the same items.

Table 9: Impact of Trump's New Tariff Schemes on Export of Selected Countries

Affected Economy	Proposed Tariff Addition	Exports to US as share of total exports, 2023	Trade Creation in USA (USD Bn)	Trade Diversion in USA (USD Bn)	Total Trade Effect in USA (USD Bn)	US Imports 2023 (USD Bn)	Trade Destruction as share of US imports	Potential reduction in global exports
Bangladesh	37%	16%	-5.96	1.15	-4.82	8.67	-56%	-9%
	10%	16%	-2.99	0.32	-2.67	8.67	-31%	-5%
Vietnam	46%	27%	-52.60	7.54	-45.06	118.94	-38%	-10%
	10%	27%	-22.54	3.82	-18.72	118.94	-16%	-4%
Cambodia	49%	37%	-7.30	0.91	-6.39	12.13	-53%	-20%
	10%	37%	-3.25	0.56	-2.69	12.13	-22%	-8%
India	26%	18%	-27.06	5.88	-21.18	87.28	-24%	-4%
	10%	18%	-14.57	0.93	-13.64	87.28	-16%	-3%
China	145%	15%	-93.08	-206.79	-299.87	448.02	-67%	-10%
	30%	15%	-156.64	-53.76	-210.40	448.02	-47%	-7%

Source: TINA.

An exercise carried out by making use of UNESCAP - TINA database indicates that because of the Trump RTs exports of all countries, to the US and globally, will be negatively impacted, to varying degrees. For example, as Table 9 shows, Bangladesh's exports to the US could potentially decline by as much as 56.0 per cent if the 37.0 per cent RT (as was originally proposed) is imposed on US imports from Bangladesh. Global exports of Bangladesh could come down by 9.0 per cent as a result. If the RT is 10.0 per cent (as it is during the *pause*), Bangladesh's exports to the US and the country's global exports would come down by 31.0 per cent and 5.0 per cent respectively. As the table indicates, the adverse impacts are greater for Bangladesh compared to, for example, Vietnam and India (the last two columns). For China (RTs of which were much higher), the decline, as expected, is expected to be much higher.

Table 10: Impact of Trump's New Tariff Schemes on the RMG Sector of Selected Countries

Affected Economy	Proposed Tariff Addition	Exports to US as share of total exports, 2023	Trade Creation in USA (USD Bn)	Trade Diversion in USA (USD Bn)	Total Trade Effect in USA (USD Bn)	US Imports 2023 (USD Bn)	Trade Destruction as share of US imports	Potential reduction in global exports
Bangladesh	37%	15%	-5.07	0.71	-4.36	7.25	-60%	-11%
	10%	15%	-2.66	0.22	-2.45	7.25	-34%	-5%
Vietnam	46%	48%	-9.59	1.45	-8.14	14.42	-56%	-27%
	10%	48%	-4.20	0.74	-3.46	14.42	-24%	-12%
Cambodia	49%	44%	-2.37	0.16	-2.21	3.48	-64%	-28%
	10%	44%	-1.16	0.17	-0.99	3.48	-29%	-13%
India	26%	32%	-3.28	1.12	-2.15	4.68	-46%	-15%
	10%	32%	-1.70	0.19	-1.51	4.68	-32%	-10%
China	145%	12%	-2.52	-15.13	-17.65	17.80	-99%	-12%
	30%	12%	-8.55	-3.10	-11.64	17.80	-65%	-8%

Source: Estimated from TINA and UN Comtrade.

Table 10 provides the results of a similar exercise but this time involving particularly exports of the RMG. Since apparels account for about 90.0 per cent of Bangladesh's exports to the USA, it is not surprising that the results are similar to those presented in Table 9. If the 37.0 per cent RT is considered, Bangladesh's exports of apparels to the USA and the world are estimated to come down by 60.0 per cent and 11.0 per cent respectively. In case of 10.0 per cent RT, exports would potentially come down by 34.0 per cent and 5 per cent respectively. For Vietnam, the decline in exports of RMG, to the US and globally, consequent to the 46.0 per cent RT (as applicable to Vietnam), is likely to be about 56.0 per cent and 27.0 per cent respectively. However, in view of the *pause* RT of 10.0 per cent, the decline in apparels export will potentially be much lower, at 24.0 per cent and 12.0 per cent respectively. Cambodia and India, not to speak of China, are likely to experience decline in RMG exports to the US as also globally, at varying degrees. Interestingly, at 10 per cent RT, Bangladesh's decline in RMG exports in the US market was likely to be higher (-34.0 per cent) compared to Cambodia (-29.0 per cent) and Vietnam (-24.0 per cent).

Thus, what emerges from the exercise based on the TINA database is that Bangladesh's overall exports and export of apparels to the US are likely to experience decline, at varying rates, consequent to the imposition of RTs under both the scenarios (37.0 per cent and 10.0 per cent). Same is the case for the country's overall exports and exports of apparels to the world. To different extent, this is the case for other countries as well, as is evidenced from Table 9 and Table 10 in the text.

SECTION 3: THE NEWLY EMERGING GLOBAL TRADING SCENARIO: STRATEGIES FOR BANGLADESH

As is known, immediately after the Trump Tariffs were announced, the *Chief Adviser* to the Interim Government of Bangladesh, Professor Muhammad Yunus, had sent a letter to the US President (on April 7, 2025) requesting that the RT on Bangladesh be postponed for three months. The letter recalled that Bangladesh was one of the very first countries to take an initiative to open discussion with the US as regards issues of bilateral trade interest. A 50 per cent reduction of tariff on three items imported from the US—gas turbines, semiconductors, and medical equipment—was proposed. Exploration of further collaboration in areas of higher import of LNG was proposed in view of US withdrawal of the freeze on

LNG export permit. The letter spoke of finalisation of dedicated bonded warehouse facility for imported US cotton[34], and also offered removal of an array of non-tariff barriers that worked against US exports to Bangladesh. Bangladesh proposed elimination of certain testing requirements, and rationalisation of packaging, labelling and certification of requirements. Bangladesh spoke of undertaking trade facilitation measures such as simplifying customs procedures and standards. The CA's letter also noted the launching of *Starlink* in Bangladesh. The Commerce Adviser had in his immediate reaction stated that Bangladesh would actively explore opportunities of increasing imports from the USA which was also emphasised in the CA's letter.

As was noted, almost all countries decided to undertake discussion with the USA on a bilateral basis. Bangladesh was thus no exception in going for bilateral discussion, offering measures to assuage USTR concerns and indicating willingness to address US apprehensions.

Table 11: Duty Structure of Bangladesh's Import from US (2024)

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

Source: Estimated from NBR database.

Note: CD= Customs Duty; OD= Other Duties.

As can be seen from Table 11, out of the 2,515 items that are imported by Bangladesh from the US, 297 (11.8 per cent of total items) do not have any duties; on 135 items (5.4 per cent) there are no customs duties (but there are other duties) and on 2,803 items (82.8 per cent) there are customs as well as, other duties. Thus, Bangladesh has a lot of scope to reduce tariffs on items that are currently being imported from the US.

Table 12: Duty Structure and Import Duties as Regards Bangladesh's Imports from USA (2024)

TTI	Items		Import Value		Import Duty	
	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%**

Source: Estimated from NBR database.

Note: TTI= Total Tax Incidence.

The duty structure on imports from US to Bangladesh presented in Table 12 indicates that about 11.8 per cent of the import items worth about 26.0 per cent import value enters duty-free in Bangladesh. About

[34]Earlier, Bangladesh had removed the requirement of double fumigation in respect of imported US cotton.

Table 13: Major Imports of Bangladesh from USA and Implications of Offer of Zero Duties

Major products imported from the 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).

31.1 per cent of the items have duties (total tax incidence) between 0-20 per cent and 66 per cent of imports items fall between this range; these account for about 47.3 per cent of all duties on US imports collected at Bangladesh customs point. About 57.1 per cent of items have duties of more than 20 per cent and these account for 8 per cent of the total items and 52.7 per cent of total import duties on items imported by Bangladesh.

Revenue loss originating from the offer of duty-free market access for imported US items will need to be carefully considered in view of the above. This is also because, and this was pointed out earlier, 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. Thus, any preferential treatment offered to any particular import item from the US will have revenue implications across the board. Table 13 provides an idea about fiscal implications of offering duty-free market access to a number of most important import items from the US i.e., if such offers are also extended to other sourcing countries on an MFN basis. The table shows the duty implications for three major items imported from the US. In most cases, items imported from the US are also imported from other countries by Bangladesh. So, estimates of Bangladesh's overall revenue loss are of heightened importance for the country. On the other hand, it is also to be noted that if Bangladesh's import duties are reduced on an MFN basis, the US exporters will be at par with their competitors in Bangladesh, at least tariff-wise. They will not enjoy any additional advantage over their competitors in the Bangladesh market based on tariff differentials.[35]

Table 14: Bangladesh's Imports 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.)	DFMA Implications: USA Imports (USD mln.)	Global Import (USD mln.)	DFMA Implications: Global Imports (USD mln.)
Gas Turbine	8411	26.20%	10.5	2.75	68.9	18.1
Semi-conductor	8541	25 to 31%	8.6	2.15	138.9	34.7
Medical Equipment	8419/9018/9022/9402	15% to 37% (mostly 26%)	50	13.00	248	64.5

Source: Estiamated on the basis of NBR data.

Table 14 presents the revenue loss originating from an offer of duty-free access for three items that were mentioned in the CA's letter- gas turbine, semi-conductor, and medical equipment. Import duty implications (duty foregone) of duty-free access on US imports of the aforesaid three items would be about USD 17.9 million. If the same duty-free access is provided to all countries (including the USA), import duty implications will be USD 117. 30 million.[36] If the duties are reduced by half, the forgone import duties would be USD 8.95 million and USD 58.65 million respectively.

[35]Although comparative advantage vis-à-vis domestic producers of the same time by import-substituting producers will suffer erosion against the backdrop of lower import duties.

[36]The estimates consider the ceteris paribus condition (i.e., other things remaining the same). Demand in Bangladesh for an imported item will likely change if import prices change because of reduced tariff.

Table 15: 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%
by 0%	By 285%	0%	0%

Source: Author's Estimation.

One way of addressing US concerns as regards the high bilateral trade deficit is for Bangladesh to significantly increase its imports from the US. As Table 15 indicates, US exports to Bangladesh will need to rise at a significantly high rate than that of US imports from Bangladesh if this is to happen. For example, given the current trade structure, for bilateral trade deficit to be zero, imports from USA will have to rise by 285 per cent i.e., 2.85 times, with Bangladesh exports to the USA remaining at the same level (the last row in the table). As was noted earlier, import trade is carried out primarily by the private sector of Bangladesh.[37] However, this is not to say that imports from US cannot be incentivised through fiscal-financial institutional incentives and supports. On the other hand, higher imports from the US, for example, of cotton, are likely to result in higher exports of apparels to the USA as well.[38] Going for FTA, attracting FDI, targeted incentives and government procurements, are some of the possible measures in this connection.

Bangladesh's strategies will need to include a number of elements, some of which are presented below:

Monitoring Closely the Dealings of Competing Countries: Bangladesh will need to carefully monitor what other countries are doing, and how they are negotiating their offer and request lists, how they are strategising their offensive and defensive interests, and how they are dealing with their non-negotiables. Knee-jerk reaction on the part of Bangladesh may undermine the country's interests. Also, Bangladesh will need to take into cognisance its obligations under the various Agreements and provisions of the WTO of which it is a founding member. Compliance with the MFN principle will also need to be taken into account by Bangladesh including ramifications of the offers in term of *revenue loss*. A proactive and multistakeholder consultation process must be put in place and evidence-based options must be weighed carefully in preparation of the bilateral discussion with the US in connection with the RTs.

Undertake Proactive Negotiations Taking advantage of TICFA Platform: Bangladesh and the US signed a Trade and Investment Cooperation Forum Agreement (TICFA) on November 25, 2013. Several rounds of discussions have taken place between the two countries since then. USTR Report also emphasises that this agreement is the primary mechanism for discussion of trade and investment between the US and Bangladesh. In the discussions, Bangladesh may ask the US side for a list of products of export to Bangladesh in which US has an interest in having duty-free or reduced-duty access. TICFA is also the platform for undertaking discussion as regards moving towards a bilateral FTA.

[37]Government procurement from the US tends to be rather low in case of Bangladesh.

[38]Thus, the bilateral trade deficit could remain virtually unchanged.

Estimate Implications of Providing Market Access Preference to the US: 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 the product, and the attendant import duties, this was likely to have important revenue implications. The list of products for preferential treatment will need to be carefully assessed in view of the potential revenue losses. However, signing of a bilateral FTA with the USA would address this particular concern.

Consider Signing a Bilateral FTA With the US: Bangladesh may show an interest in initiating discussions as regards negotiating a *bilateral* FTA, as also a *Bilateral Investment Agreement*, with the US. Indeed, in the course of TICFA discussions Bangladesh had earlier raised this issue. However, US was not inclined to pursue this on the ground that Bangladesh was yet not ready for signing an FTA with the USA.[39] In recent talks, US has indicated its agreement to open talks, in principle, in this regard. No doubt, Bangladesh will need to demonstrate its readiness if a discussion on bilateral FTA with the US is to gain any traction. Work on the negotiating elements would need to be undertaken with due seriousness. An FTA with the US will call for extensive preparatory work in a wide range of areas including ensuring compliance with various standards: labour standard; IPR enforcement; removal of perceived barriers to trade and investment; alignment of domestic regulations with the US rules and regulations; compliance assurance; and others. On the other hand, it may also be noted that the US has signed bilateral FTAs with a number of developing countries One example is the Dominican Republic-Central America FTA (CAFTA-DR) which besides Dominican Republic also includes Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. No doubt, there is a political angle to this. US has also signed a bilateral FTA with Jordan, which envisaged elimination of all duties by 2010. Experience of developing countries which have signed bilateral FTAs with the US will need to be studied carefully and negotiating FTA with the US and the attendant risks and rewards will need to be assessed in an informed way. Issues of non-reciprocal treatment and differential timelines for implementation of the trade liberalisation plan and compliance assurance will need to be negotiated with the US with due caution and care.

Reflect US tariff-related concerns in FY2025-26 Budget: As was mentioned earlier, Bangladesh had already indicated its readiness to address some of the tariff-related concerns of the US in the letter sent by the Chief Adviser as also the subsequent statement by the Commerce Adviser. Some of these have been reflected in the budget for FY2025-26 presented by the Interim Government on June 2, 2025. The budget proposes phased reduction of tariffs on imported goods, withdrawal of import duties on 110 products, reduction of import tariffs on 65 products, complete withdrawal of supplementary tariffs on 9 products and reduction of supplementary duties on 442 products as part of preparing for trade dialogue with the US (MoF, 2025). Since these duty reductions will have to be MFN-based, the same treatment will need to be extended also to imports coming from countries other than the US. Thus, the budget proposals are expected to have significant revenue implications (i.e., revenue reduction if imports don't go up proportionately). Also, since some of these items are produced by domestic producers in Bangladesh, there will be implications for import-substituting industries in terms of their competitiveness. Whether it was a sound strategy to go for such upfront tariff reduction initiative, however, remains questionable. However, it is reckoned that these, or at least some of these, proposals in the FY2025-26 budget should have been kept as bargaining chip in the context of possible bilateral FTA negotiations with the US. Providing preferential market access only to the US, as part of a BFTA, would be of more benefit to Bangladesh than extending this on an MFN basis. However, for this speedy negotiation of bilateral FTA with the US will be necessary.

[39] A limited preferential trading arrangement (PTA) would have perhaps been better. However, as per WTO provisions PTAs can be signed only between two LDCs.

Take Advantage of Flexibilities as Regards Imported Cotton From the US: The US Presidential Executive Order mentions: '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 per cent 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 provision could serve as a reference point for Bangladesh's discussion with the US, particularly in view of increasing Bangladesh's import of cotton from the US. In terms of import of cotton, the US is Bangladesh's 5th largest import source (accounting for 12.0 per cent of total cotton imports by Bangladesh). For the US, Bangladesh is the 7th most important export destination of its cotton. Bangladesh should explore whether apparels produced from cotton imported from the US could receive preferential treatment at US customs. This could help Bangladesh avoid additional tariffs and provide Bangladesh's exports some edge over its competitors.

Provide Warehouse Facilities: Bangladesh could consider allowing special warehouse facilities for imports of cotton from the US. The Bangladesh Garments Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) have already asked for permission to set up dedicated warehouses for storage of cotton imported from the US. This, if implemented, will reduce the lead time, and contribute to raising Bangladesh's export competitiveness not only in the US but also in other markets. This would also facilitate negotiating tariff waivers in the US for apparels produced in Bangladesh with US cotton. This would also likely increase import of cotton from the US.

Allow Deferred Payment Facility: Allowing financing of cotton imports from the USA, with deferred payments facilities, will incentivise Bangladesh's export-oriented apparels sector and importers of cotton in general by way of facilitating higher amount of import of cotton from the US.

Attract FDI from the US: Attracting more investment from the US will help to (a) reduce US's bilateral trade deficit with Bangladesh and (b) take advantage of the higher *US content requirement* mentioned in the Presidential Executive Order. Signing a bilateral *Investment Agreement* should be seriously considered in this connection. However, Bangladesh will need to undertake proactive measures to address concerns of the US investors if this potential is to be realised. Indeed, removing the existing bottlenecks is necessary to attract FDI to Bangladesh in general against the backdrop of dismally low levels of FDI in the country (Dhaka Tribune).

Attract FDI from China: As was pointed out in the preceding section, China is likely to continue pursuing its policy of circumventing high US tariffs by investing in other countries and accessing the US market from there. This would allow China to take advantage of the relatively lower US tariffs on imports from these countries. In view of the likely renewed interest on the part of China to diversify its investment targeting exports to the US market, Bangladesh should take an active interest to attract Chinese investment to the country. Against this backdrop, establishment of the *Chinese Special Economic Zone* at Anwara in Chattogram should be given the highest priority. Bangladesh should strive to emerge as a major FDI destination of China (and Hong Kong), besides Vietnam.

Bind Tariff Lines in the WTO: Bangladesh has bound only 17 per cent of its total tariff lines in the WTO. The aforementioned USTR report mentions about Bangladesh's lower number of *bound* tariffs in the WTO. Bangladesh should take an initiative to deal with the issue, with realistically set *bound tariff rates*, taking due note of its prevailing *applied tariff rates*. In view of the upcoming LDC graduation, this will be an expectation from Bangladesh anyway.

Strengthen IPR Regime: Bangladesh will need to significantly improve its Intellectual Property Rights (IPR) regime to assuage US concerns in this regard. A policy of zero tolerance will need to be enforced in view of counterfeit and IPR violations.

Realign Policies with Global Trading Partners: If the RTs are continued, in some form or other, there is a possibility that there will be a significant realignment in global trading system, with new global alliances emerging, e.g. India and China, and more broadly the BRICS countries, forming new trading blocks. China-led, RECP-led or BRICS-led 'anti-US' trading blocs may emerge over the near to medium-term future. These will have implications for global monetary system, trade financing, strategies in the WTO, trade-related negotiations, etc. Bangladesh will need to be alert to these developments. However, the issue of whether to proactively engage with such processes will, at the end of the day, be a *political call*.

Put Emphasis on Regional Cooperation: In view of the emerging volatilities in global trade, Bangladesh must proactively pursue avenues of deepening and broadening regional cooperation (e.g., BIMSTEC). This should be seen as a key strategy towards triangulation of transport, investment and trade communities, and export market and export product diversification. Opportunities of FTAs and *Comprehensive Economic Partnership Agreements* (CEPAs) with regional countries and regional trading blocs will need to be actively explored and diligently pursued.[40] Towards this, Bangladesh will need to significantly strengthen its negotiating capacity. Bangladesh should seriously consider setting up a *Negotiating Wing* with adequate human and financial resources at its disposal.

Embed Response to the US in Bangladesh's LDC Graduation Strategy: Addressing global shocks, including the adverse impacts originating from such unforeseen developments as the US-RTs, should be seen as an integral part of Bangladesh's *Smooth Transition Strategy* (STS) which has been formulated in anticipation of Bangladesh's graduation from the LDC group. A comprehensive, well-coordinated approach will be necessary to address the emerging challenges in the global trading system and global economy, and this should be an integral component of the overall Strategy of Bangladesh towards sustainable LDC graduation, by avoiding the *middle-income trap*.

Concluding Remarks

The preceding sections have made an attempt to capture the evolving dynamics in view of Trump RTs, and their implications for Bangladesh's external sector, and what needs to be done to address the emerging challenges against this backdrop. The US trade policy under President Trump is an evolving one with many pieces moving simultaneously. As was noted, RTs have been paused for three months. US has already negotiated separate agreements as regards tariffs with the UK, China and a number of other countries. Many other countries have initiated discussion with the US, offering concessions and articulating various measures to assuage US concerns and meet its demands. At the same time, China has sought consultations in the WTO-DSB, on grounds of violations of the WTO rules by the US. However, US has agreed to initiate discussion with China within the ambit of the WTO. Bangladesh will need to monitor the developments in this regard very closely and should take note of the strategies pursued by other countries. The paper has argued that the concerns that the US has flagged needs to be addressed by Bangladesh as part of its reform agendas and as part of its efforts at reducing trade barriers and removing anti-export bias in trade policies, and not just because the US is asking for these. The paper also argues that Bangladesh should open FTA talks with the USA; however, adequate preparations must

[40]Unlike Vietnam which has signed more than 20 FTAs, Bangladesh is yet to sign a single FTA. The only a preferential trading arrangement (PTA) that it has signed is with Bhutan, a minor trading partner. However, at present, several FTA negotiations are ongoing, including with Japan, Singapore and Malaysia.

be undertaken in anticipation of this. Against this backdrop, the paper has strongly argued in favour of establishing a well-resourced *Negotiating Wing* without delay. The paper also observes that all the suggested measures in this paper ought to be coordinated with Bangladesh's initiatives towards sustainable *LDC graduation* and aligned with the country's *Smooth Transition Strategy* in view of this.

An Urgent Consideration

As was noted at the very outset in the introductory section, it needs to be recognised that the US tariffs were definitely never about tariff issues only. Other issues of US interests and concerns were deeply entwined with the tariff issues. Whilst the 'non-disclosure' conditionality did not allow non-state stakeholders to get to know about these 'other-than-tariff conditionalities', some of those have already creeped into the public domain through media.[41] Some of these include: a) removal of customs duty (CD), supplementary duty (SD) and regulatory duty (RD) on US imports to Bangladesh; b) strong IPR enforcement; c) compliance with US standards, particularly in view of agro-exports to USA; d) more defence procurement from the USA; e) long-term import contract with the USA for LNG; f) government procurement of wheat for Social Safety Net Programmes (SSNPs) and g) ban on use of Chinese-made LOGINK systems.

There were also some conditions which US is asking for, but which Bangladesh may also consider taking up on her own - trade union rights in EPZ; lower percentage of signature (20 per cent) for formation of a trade union; to be signatories to a number of global conventions; amendments of cybersecurity ordinance 2025 to ensure freedom of expression, etc.

Bangladesh should be congnisant of these demands and the negotiators will need to firm up their stance based on national interests. The offer and requests, the offensive and defensive strategies and the non-negotiables must be carefully crafted based on this. And this is where consultations with key stakeholders assume such heightened importance to secure and safeguard Bangladesh's interests.

The telltale signs of the adverse impacts of US-RTs are already visible – work orders have started to be stalled and some major apparels brands and buyers are taking a wait and see stance in view of the emergent uncertainties and in anticipation of what transpires over the coming weeks. The US has informed Bangladesh that as of August 1, 2025, a 35.0 per cent RT will be imposed on imports from the country. On the other hand, some of Bangladesh's key competitors such as Vietnam (likely RT of 20.0 per cent), Indonesia (19.0 per cent) and India (likely to negotiate RTs on favourable terms) are positioning themselves to deal with the emergent situation and to strengthen their competitive strength in the US market. If Bangladesh is not able to reduce the 35.0 per cent RT, its competitiveness vis-à-vis these countries will be significantly undermined.

More than 100 RMG enterprises of Bangladesh depend exclusively on the US market; about 300 enterprises have more than half of their exports destined for the US market. Even if the brands and buyers agree to share the burden of the additional tariffs, it is conceivable that they will try to pass the larger share of this on to Bangladesh's producers and exporters. For many enterprises it will be very difficult to bear the additional burden at a time when price of borrowing, energy cost and, in general, the cost of doing business in Bangladesh have been on the rise. Particularly small-size exporters to the

[41]Because of 'non-disclosure', US demands articulated in the initial framework document to initiate the discussions were not made public. This was contested by key stakeholders, such as concerned businesspeople, experts and civil society groups, who felt that they should have been consulted appropriately and adequately before the Bangladesh team went for negotiations with the USTR with a clear-cut mandate. The Bangla Outlook has published a version of this.

USA could find the situation unsustainable. Many exporters will likely try to shift to the EU and other traditional markets, resulting in more intense competition in those markets and a downward pressure on export prices. Shift to new, non-traditional markets is a possibility but this will take time. In all likelihood, exporters associated with the US market are in for a very rough ride in the near to mid-term future (if the RT remains at 35.0 per cent or thereabout).

The negotiations that Bangladesh carried out during the 90 days pause period did not deliver the hoped-for result, as was noted. The way the negotiations were carried out, subject to the 'non-disclosure clause' have come under serious criticism by both business stakeholders and concerned exports. Their involvement could have significantly strengthened the hands of the negotiators. The multi-dimensionality of the issues involved-tariffs, non-tariff concerns of the US, rules of origin, likely diversion of imports, government procurement, geo-strategic issues of interest and concern to Bangladesh- all these called for a well-coordinated and well-prepared negotiating stance and strategy. Non-disclosure clause has worked against this likelihood. Whether the Bangladesh side had questioned this binding constraint imposed on the country's negotiating team, however, remains unknown.

Involving the exporter's association in Bangladesh, appointing lobbyists in the US, mobilising the support of apparels brands and buyers and concerned importers' associations of US such as American Apparels and Footwear Association (AAFA) could have been to Bangladesh's advantage (in dealing with the USTR as also the US State Department). Regrettably, these were mostly missing. While the government is at present trying to take some corrective steps (involving the BGMEA, appointment of lobbyist firms, mobilising support of concerned US businesses), whether these are too little, too late, will be known very soon. If Bangladesh is not able to negotiate a reduction in additional tariff to the level of Vietnam, India and other competitors, the segment of the export sector of the country which is predominantly dependent on the US market will be severely disadvantaged. This will have significant negative implications for the country's job market, export earnings and the overall economy.

Evidently, there are important lessons to be learned for Bangladesh from this experience, which should inform the country's participation in similar negotiations in future times.

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ANNEX

Annex Table 1: Tariff Implications of 10% Flat Tariff and RT: Bangladesh Vs Vietnam in the US Market

Major products imported from Bangladesh to the 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 outwear	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 outwear	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 outwear	27.90%	37%	10%	37.90%	64.90%	27.90%	46%	10%	37.90%	73.90%

(Annex Table 1 contd.)

(Annex Table 1 contd.)

Major products imported from Bangladesh to the 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*
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).

The US reciprocal tariffs are, by any reckoning, going to have significant implications for Bangladesh's exports to the country, particularly those of readymade garments, as also footwear. Making use of relevant analytical tools, the paper makes an attempt to capture the impacts of the RTs on Bangladesh's export performance, particularly vis-à-vis its key competitors in the US market. The paper argues that the US-RTs are not only about tariffs and non-tariff issues but also involve a complex set of geo-political and geo-strategic issues of interest to the US, and this calls for inputs from a diverse range of stakeholders. The paper proposes a set of measures which Bangladesh could pursue in the course of the ongoing negotiations with the USTR against this backdrop.

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