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## Trump 2.0 and Bangladesh: Navigating a turbulent global trade landscape

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However, these potential gains may be subdued or entirely offset if widespread trade wars lead to a reduction in global income and spending.

Furthermore, as many economists argue, Trump tariffs raise production costs and consumer prices in the US, exacerbating inflationary pressures. Evidence from post-Covid stabilisation measures in developed

countries suggests that, in periods of high inflation, consumers disproportionately cut back on discretionary spending, particularly on clothing and footwear. With over 90 percent of Bangladesh's exports concentrated in these sectors, such trends could pose significant challenges for the country's export earnings.

It is also worth pointing out that if the US, as the world's largest economy, takes recourse to high tariffs, other countries' currencies could depreciate due to reduced export revenues, weaker foreign exchange inflows, and a shift in investor sentiment towards the US dollar as a safe haven. The risk of competitive devaluation among key trading partners could exert substantial pressure on Bangladesh's currency, exacerbating its foreign exchange vulnerabilities and undermining export competitiveness in the highly price-sensitive apparel sector. Combined with the prevailing inflationary pressures and weak foreign reserves, trade policies under the Trump administration could further complicate Bangladesh's ongoing macroeconomic stabilisation efforts.

### COSTS OF DEEPENED GEOPOLITICAL FRAGMENTATION FOR INNOCENT BYSTANDERS

President Trump's reinforced trade and economic policies are further rooted in the shifting global economic order. The intensifying geopolitical competition between the United States and China is fundamentally driven by the recognition that, for the first time, China has emerged

as both an economic and strategic competitor—a distinction that sets it apart from previous challengers such as Russia, which remained primarily a strategic rival, or Japan, whose competition was largely economic. While the US seeks to safeguard its preeminent role in global trade and security, China's extraordinary economic rise, coupled with its expanding geopolitical influence through initiatives like the Belt and Road Initiative (BRI), represents a direct and multifaceted challenge to US hegemony. This evolving dynamic has prompted the adoption of unilateral measures, including tariffs and technology restrictions, many of which were pioneered during Trump's first term, in direct contradiction to established global rules. The multilateral framework of the WTO, long intended to be rules-based and ensure predictability in global trade, now faces profound threats as geo-economic strategies increasingly overshadow cooperative norms. With Trump 2.0 charting a new trajectory, US powerplay risks further undermining, if not dismantling, the foundational principles of multilateralism, cementing a legacy of US nationalist policies that threaten to redefine global trade governance and fragment the international trading system.

Evidence from IMF research suggests that geoeconomic fragmentation, by raising trade costs and greater geopolitical polarisation, generally leads to lower trade and incomes. However, emerging markets and developing economies (EMDEs) tend to see the largest impacts: real per-capita income losses for the median EMDE in Asia are 80 percent larger, and for the median EMDE in Africa, 120 percent larger, than for the median advanced economy. This suggests that the costs of trade fragmentation could fall disproportionately on countries that can afford it the least.

### OPPORTUNITIES IN GEOPOLITICAL MINEFIELDS

The redefinition of global supply chains, driven by intensifying US-China geopolitical tensions, presents Bangladesh with a strategic opportunity to attract investments relocating from China as firms seek to diversify production bases. Additionally, the rise of restricted trade measures in the West could foster increased intra-Asian trade in sectors such as manufacturing and technology, creating new avenues for regional economic integration. Platforms like the Regional Comprehensive Economic Partnership (RCEP) offer Bangladesh a valuable framework to deepen regional ties and expand market access, particularly in a shifting global landscape.

Bangladesh's competitive labour costs, relatively young workforce, and established manufacturing base enhance its attractiveness as a destination for reshored investments. Multinational corporations, aiming to mitigate risks associated with concentrated supply chains, are likely to explore alternative production hubs, and Bangladesh is well-positioned to seize this moment. To fully realise these opportunities, however, the

country must prioritise targeted policy interventions that improve infrastructure, streamline regulatory processes, and secure advantageous trade agreements.

While Bangladesh holds significant potential to attract shifting investments, its current investment climate—characterised by administrative inefficiencies and malpractices, inadequate infrastructure, and policy uncertainties—remains insufficiently conducive, risking the possibility that emerging opportunities may bypass the country unless substantial reforms are undertaken. Furthermore, the ongoing macroeconomic challenges, particularly the low level of foreign reserves, exacerbate concerns among potential foreign investors, who may perceive heightened risks related to profit repatriation and currency stability, thereby diminishing Bangladesh's competitiveness as an investment destination.

Attracting investment from China presents a delicate balancing act for Bangladesh, as such moves are often construed as aligning with growing Chinese influence, a development that could provoke apprehension not only from the United States but also from the other regional geopolitical power, India. The implications of such perceptions are far from hypothetical—Trump himself suggested imposing duties on automobiles manufactured in Mexico with Chinese investments if exported to the US. Moreover, in an era where global trade rules are increasingly flouted and multilateralism weakened, non-power economies like Bangladesh may find themselves subjected to arbitrary norms and standards dictated by dominant geopolitical players. This precarious landscape could amplify scrutiny over longstanding concerns such as labour practices in Bangladesh, potentially leading to the withdrawal of trade privileges and/or the imposition of restrictions under the guise of geopolitical manoeuvring.

### ADAPTING TO UNCERTAINTY IN GLOBAL TRADE

Navigating the uncertain global landscape under Trump's presidency demands proactive strategies that prioritise mature and effective diplomatic engagements, as fostering constructive relationships with key trade and geopolitical actors becomes more critical than ever. This also requires an integrated approach involving policymakers, businesses, and other relevant stakeholders to prepare for a global trade and investment regime characterised by unpredictability and power asymmetries. Yet, even in such volatile circumstances, there is no substitute for enhancing external competitiveness and improving the domestic investment climate. A competitive export sector, coupled with an investor-friendly environment, not only mitigates vulnerabilities from shifting trade dynamics but also positions Bangladesh to seize emerging opportunities, ensuring resilience in the face of global uncertainties.

▲ Bangladesh's challenges and opportunities arising from President Trump's second term will depend on the resultant outcomes endured by the global economy.

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