

Star BUSINESS



Govt prepares formal appeal to US over tariffs

REFAYET ULLAH MIRDHA

The government will shortly write to the United States Trade Representative (USTR), urging it to reduce what it describes as an irrational imposition of 37 percent reciprocal tariffs on Bangladeshi exports, a top official said yesterday.

The decision was taken at an urgent inter-ministerial meeting at the Secretariat within hours of US President Donald Trump's sweeping tariff announcement, according to Commerce Secretary Mahbubur Rahman.

Speaking to The Daily Star over the phone, he presented Bangladesh's rebuttal to the new US tariff measures.

"Our comprehensive analysis shows that American goods entering Bangladesh face an average tax incidence of merely 2.37 percent," the commerce secretary said.

"This minimal rate reflects our duty-free or near-zero tariff treatment to key US commodities including cotton, iron ore, soybean seeds and scrap metal. So, the imposition of such disproportionate reciprocal duties is not justified," Rahman said.

He added that the ministry has scheduled a high-priority meeting with Tracey Ann Jacobson, the chargé d'affaires at the US Embassy in Dhaka, on Sunday.

After the import tariff hike by the US on Wednesday, Shafiqul Alam, press secretary to the chief adviser, said that the authorities were evaluating options to adjust tariffs.

NBR Chairman Abdur Rahman Khan said revenue officials were examining which US products face duties, their respective rates, and their trade value.

Asked about Trump's claim that Bangladesh imposes a 74 percent tariff on American goods, the NBR chairman said they were verifying this figure.

"They may have cited only the highest duty items. We are cross-checking the data," he added. "The US might have referenced either peak or average rates. We are now analysing the actual numbers."

Similarly, the commerce secretary identified several issues in the Trump administration's tariff methodology.

"Firstly, their calculations completely disregard Bangladesh's substantial imports of American services," he said.

"Secondly, they ignore the millions we pay annually in licensing fees to US technology firms and insurance providers. They have also excluded the digital service payments flowing to American platforms like Facebook, YouTube and Microsoft."

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Bangladesh must push for urgent US trade talks

Urge experts, say new 37% tariffs could hurt key exports

REFAYET ULLAH MIRDHA, MD ASADUZ ZAMAN and SUKANTA HALDER

Business leaders and economists have called upon the government to initiate immediate high-level negotiations with the United States administration following President Donald Trump's imposition of reciprocal tariffs, warning that failure to secure concessions could erode the nation's competitive edge in its most lucrative export market.

The collective appeal comes as Bangladesh's ready-made garment sector, which accounts for over 90 percent of its exports to the US, now faces an expansive 37 percent tariff, a dramatic increase from the previous rate of around 15 percent.

Industry experts maintain that despite this substantial hike, Bangladesh retains significant advantages that could be leveraged during negotiations, including substantially lower production costs compared to regional competitors like China and Vietnam, both of whom have been hit with higher tariffs at 54 percent and 46 percent respectively.

The Trump administration's sweeping tariff measures have precipitated what economists describe as the most significant transformation of international trade architecture in decades.

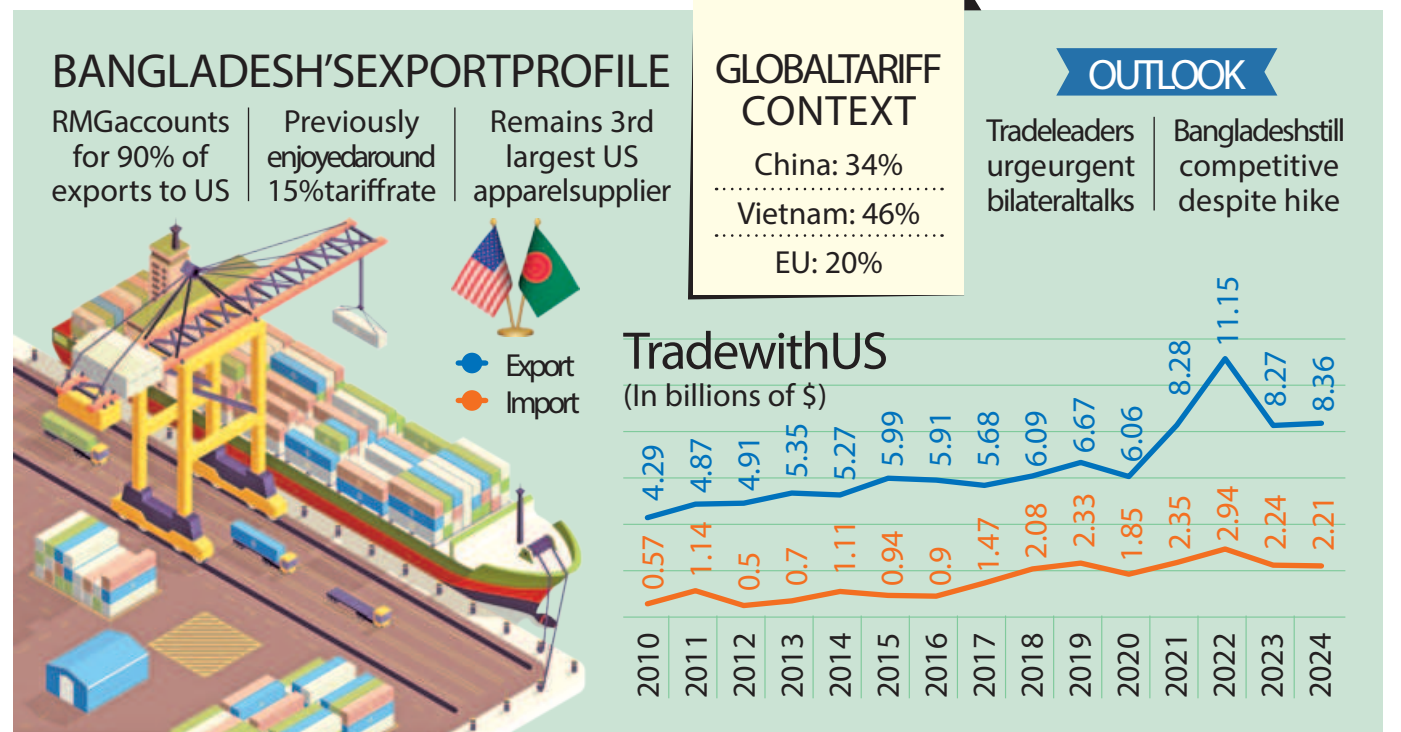
"The world has witnessed an unprecedented shift in the global trading regime with the introduction of reciprocal tariffs by the Trump administration, signaling a potential end, or at least a significant transformation, of the Most Favoured Nation (MFN) principle that has long been a cornerstone of the GATT/WTO framework," said Professor Selim Raihan, executive director of the South Asian Network on Economic Modeling.

Raihan elaborated on the profound implications of this policy shift, saying, "The new system of variable, country-specific tariffs creates unprecedented uncertainty."

For developing economies like Bangladesh that have built their growth models around predictable trade rules, this presents existential challenges, he said. "Our research indicates these measures could reduce developing nations' export earnings by 15-20 percent annually if left unaddressed."

The economics professor emphasised strategic adaptation.

According to him, Bangladesh must



pursue a three-pronged response: domestic policy reforms to enhance competitiveness, active participation in reshaping multilateral trade institutions and the cultivation of deeper bilateral partnerships to secure preferential access.

Hafizur Rahman, administrator of the Federation of Bangladesh Chambers of Commerce and Industry, highlighted Bangladesh's strong case for tariff mitigation.

"When we examine comparative tariff rates, we find India facing just 26 percent and Pakistan 29 percent, despite similar trade profiles. This disparity suggests considerable room for negotiation," he told The Daily Star.

Meanwhile, Mohammad Hatem, president of the Bangladesh Knitwear

Manufacturers and Exporters Association (BKMEA), highlighted specific bargaining chips.

"We currently impose substantial duties on certain US imports, particularly alcoholic beverages," he said. "A reciprocal reduction could demonstrate goodwill while costing our exchequer relatively little."

"More significantly, as the world's fifth-largest cotton importer – with substantial purchases from American growers – we possess considerable untapped leverage."

Industry analysts also caution that conventional negotiation approaches may prove ineffective against the Trump administration's unconventional trade calculus.

Syed M Tanvir, managing director of Pacific Jeans, said, "The administration's so-called 'reciprocal' tariffs bear little relation to actual duty structures. Their calculations incorporate trade deficit figures, perceived currency manipulation and even subjective assessments of regulatory barriers."

"To reduce our tariff

burden, we must address the core metric driving these decisions – the bilateral trade imbalance."

He said strategic increases in imports of high-value American products, particularly in defence, aerospace and advanced machinery sectors, could significantly improve Bangladesh's negotiating position.

The executive offered a blunt assessment of political realities.

"President Trump operates as a transactional dealmaker rather than a traditional statesman. Bangladesh must structure any proposal as a mutually beneficial exchange – we need to identify concessions that deliver tangible wins he can showcase to his domestic constituency," Tanvir said.

Anwar Ul Alam Chowdhury Parvez, president of the Bangladesh Chamber of Industries and a former leader of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), provided an analysis of vulnerable sectors.

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Footwear exporters see opportunity in US tariffs

Pharma, plastic and agro-processed food sectors mired in uncertainty

SOHEL PARVEZ and JAGARAN CHAKMA

As the United States moves to impose reciprocal tariffs, concerns are mounting among Bangladeshi exporters, particularly in the footwear and pharmaceutical sectors, over potential implications for the country's trade prospects.

Industry leaders say Bangladesh, which depends heavily on the US market as a key export destination, could have prepared earlier to mitigate the fallout. In contrast, others remain cautiously optimistic that the impact may be less severe than feared.

The new tariff measures – the full details of which are yet to be revealed – have sparked urgent calls for the government to engage in proactive economic diplomacy and undertake long-overdue trade policy reforms to safeguard Bangladesh's competitive edge, especially at a time when global trade is already under pressure.

"The impact could be extremely serious. So, we need to engage and inform carefully," said Syed Nasim Manzur, managing director of Apex Footwear Ltd, a leading footwear exporter in Bangladesh.

He said the US was the fastest-growing destination for Bangladeshi footwear in fiscal year 2021-22 and is one of the single biggest markets for bags.

Manzur, also president of the Leathergoods and Footwear Manufacturers and Exporters Association, said the US has been talking about imposing reciprocal tariffs since January this year.

"Unfortunately, we were in a kind of comfort zone and have not taken any measures. But a major competitor of ours was following this and was taking actions to minimise the possible impact of US tariffs on its exports," he added. "We could have started preparations earlier as well."

He said Bangladesh's total tax incidence is one of the highest in the region, adding that it is high time for the country to rationalise import tariffs and para-tariffs, specifically



supplementary duty.

Bangladesh's average duties on US imports currently stand at 54 percent, but the rate goes up to 528 percent in the case of products like luxury automobiles.

"We must engage with the US administration and explain our position. This is a time for economic diplomacy," he said. "We also need a clear roadmap with a short timeline for tariff rationalisation. In parallel, we must have clear plans to reduce the cost of doing business, and eliminating bureaucratic bottlenecks and corruption."

In a welcome move, the National Board of Revenue has already initiated discussions on the issue.

"So, we are happy to see that the government has announced that it is reviewing tariffs for US products," Manzur said.

Nasir Khan, managing director of Jennys Shoes Ltd, one of the country's leading footwear exporters, said the US accounts for nearly 19 percent of Bangladesh's total exports, making it a crucial destination for local manufacturers.

However, Bangladesh's imports from the US are relatively modest, standing at around \$2 billion annually.

"If we reduce import tariffs on US products, it will not have a significant negative impact on us," Khan said. "On the contrary, if the US considers lowering tariffs on Bangladeshi exports, it could unlock fresh opportunities for our manufacturers."

While acknowledging that the non-leather footwear segment relies on the US market, he noted that it is not as exposed as other major export sectors.

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Will the tariff hike impact stock market?

AHSAN HABIB

Stock investors in Bangladesh are apprehensive about the US hiking import tariffs, a move that could hurt the South Asian nation's exports and the profitability of export-oriented listed firms.

A 37 percent "discounted reciprocal tariff" was levied in response to White House estimates that a 74 percent tariff is effectively imposed by Bangladesh on American goods. Previously, Bangladeshi goods entered the US market by paying an average duty of 15.62 percent.

The rise in tariffs will negatively impact many listed readymade garment manufacturers and pharmaceutical companies as they export substantial volumes of goods to the US, said stock investor Mia Rubel Hossain.

"Either their exports will decline, or their profits will shrink – or both. As a result, these companies may not be able to offer good dividends," he said.

Bangladesh's stock market has been struggling for several years due to the poor performance of listed firms, exacerbated by the Covid-19 pandemic and the Russia-Ukraine war. Additionally, recent political uncertainties have significantly impacted corporate profitability.

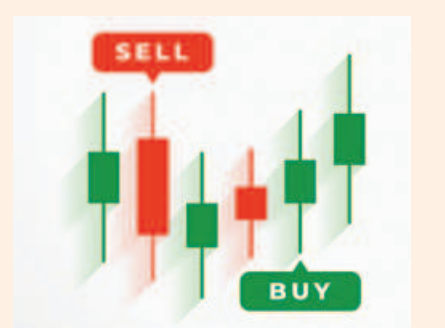
Most listed firms reported lower profits during the first half of the current fiscal year while many incurred losses. Now, many export-oriented companies listed on the stock market could sustain a further

hit to their revenues due to the hike, which would subsequently affect stock market investors.

The question is whether such concerns are fair and the extent to which the rise in tariffs will impact the stock market.

Asif Khan, president of the CFA Society of Bangladesh, said there would be little direct impact.

There are 58 readymade garment and textile companies listed on the Dhaka Stock Exchange (DSE) that export goods alongside 34 pharmaceutical companies.



However, Khan said there are not many listed firms that export goods to the US, adding that those who do are not dependent solely on the destination.

"Many listed textile companies are not exporting to the US. Instead, they sell products to readymade garment companies, which then go for exports. Besides, a couple of pharmaceutical companies export goods to the US," he said.

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