Star BUSINESS

Bangladesh earned Tk 1,500cr tariff from US imports in FY24

AT A GLANCE

- Bangladesh imported over 2,200 items from the US this fiscal year
- Only 10 items imported from the US generate over Tk 500cr in revenue
- Of the 10 items
  - Highest total tax incidence (TTI) is on motor cars at 150.76%
  - Lowest TTI is on chemical wood pulp at 20%
- Bangladesh's highest TTI is 1,021%

Top 5 revenue generating imports from US
Until March of FY25; SOURCE: NBR

Imports	In crore taka
Ferrous waste and scrap	201.69
Artificial filament tow of cellulose acetate	118.06
Almonds	55.38
Coniferous chemical wood pulp	41.78
Diagnostic or lab reagent	23.75

MD ASADUZ ZAMAN *and* MOHAMMAD SUMAN

Bangladesh generates a negligible amount of revenue from taxes levied on goods imported from the United States, according to an internal assessment by the revenue board following Washington's announcement of imposing a 37 percent reciprocal tariff on Bangladeshi products entering the US market.

In the July-March period of fiscal year (FY) 2024-25, taxes on US imports brought in just around Tk 1,000 crore -- less than 2 percent of the total revenue collected from all imports during that period.

Bangladesh imported goods worth Tk 22,168 crore from the US during those nine months, with tax receipts from those imports totalling Tk 1,010 crore, according to the National Board of Revenue (NBR).

In contrast, overall revenue from global imports reached Tk 64,439 crore during the period, according to the latest NBR report.

The scenario was similar in FY24, when tax collected from US imports amounted to Tk 1,499 crore against total revenue of Tk 100,819 crore, which was around 1.5 percent of Bangladesh's total earnings from import duties.

The country's import payments stood at Tk 702,230 crore in FY24, of which Tk 28,144 crore went to the US, reflecting only 4 percent Bangladesh's total merchandise imports, according to the Bangladesh Bank data.

READ MORE ON B3

IMF mission to start reviewing reform progress today

Two loan instalments tied to reforms

STAR BUSINESS REPORT

A delegation from the International Monetary Fund (IMF) will today start reviewing the progress of reforms tied to two instalments of a $4.7 billion loan programme against the backdrop of the fourth instalment being deferred.

The delegation, scheduled to arrive last night, is slated to stay till April 17, according to the Ministry of Finance.

Last December, a mission arrived to review the progress of conditions regarding the fourth instalment, which was supposed to be disbursed in February.

However, the IMF deferred the disbursement to June as Bangladesh could not meet prior conditions relating to reforms to the National Board of Revenue (NBR) and Bangladesh Bank.

The visiting delegation is expected to meet Finance Adviser Salehuddin Ahmed today morning, a finance ministry official said. The team will hold a series of meetings with key government agencies to assess the status of various structural benchmarks under the loan conditions, Finance Division officials said.

During the visit, IMF officials will hold discussions with representatives from the Finance Division, the National Board of Revenue, Power Division, Power Development Board, Bangladesh Energy Regulatory Commission, and the Energy and Mineral Resources Division.

The review mission will conclude with a meeting between the IMF team and the finance adviser on April 17 followed by a press briefing.

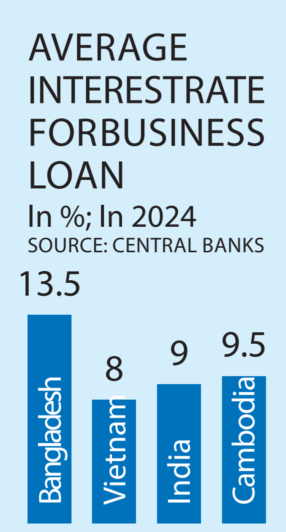
The mission's focus will be on NBR reforms, subsidy management and the implementation of a market-based exchange rate.

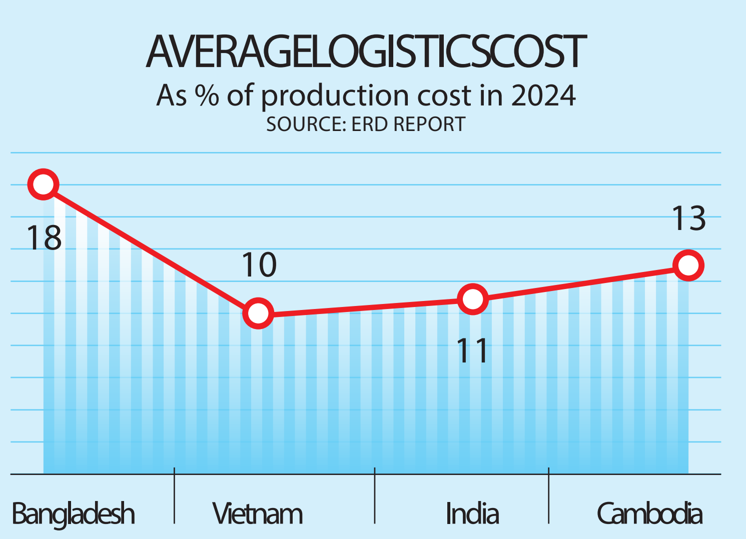
The IMF has been seeking the implementation of a market-based exchange rate for a long time. However, economists believe such a move may create volatility in the foreign exchange market and pose difficulties in maintaining a healthy foreign exchange reserve.

The IMF delegation will also focus on reforms to the NBR as tax collection in Bangladesh is very low compared to the size of its gross domestic product, which adds pressure to the government's fiscal management.

READ MORE ON B3

Rising costs erode business competitiveness





JAGARAN CHAKMA

Bangladesh, long regarded as a cost-competitive destination and once hailed as the next Asian tiger, is now grappling with mounting pressure as the cost of doing business is rising sharply across key sectors.

What was once considered the country's strongest advantage -- a cheap labour pool -- is now being undermined by persistent infrastructural weaknesses, policy unpredictability, and rising input costs.

The World Bank's latest assessment and regional business surveys reveal that while labour costs in Bangladesh remain comparatively lower than in Vietnam and India, the total cost structure -- encompassing logistics, energy, financing, and regulatory compliance -- has become increasingly unfavourable.

The issue has once again come to the spotlight, becoming highly relevant as the US government has raised the tariff on Bangladeshi products to 37 percent from around 15 percent.

Experts believe that shipments of Bangladeshi goods will experience a significant setback, with the possibility of a decline in exports to the US market due to the reduction in competitiveness.

The new US tariff on Bangladeshi products has created uncertainty, which is not helpful for a developing country like Bangladesh.

According to the Comprehensive Report on the Logistics Sector of Bangladesh, prepared by the Economic Relations Division of the Bangladesh government, logistics alone account for 15-20 percent of production expenses, significantly higher than Vietnam's 9-11 percent.

This sharp gap is mainly attributed to poor road infrastructure, congestion at major ports such as Chattogram, and outdated logistical facilities.

In contrast, Vietnam's investment in deep-sea ports and modern transport networks has helped reduce delivery times and lower logistics costs, boosting its competitiveness.

Energy is another major hurdle.

READ MORE ON B3

Investment summit begins tomorrow

STAR BUSINESS REPORT

The Bangladesh Investment Summit 2025 is set to begin at the InterContinental Dhaka tomorrow, taking place at a critical juncture when foreign direct investment (FDI) inflows have plunged to a six-year low, raising concerns about the country's investment climate.

Chief Adviser Prof Muhammad Yunus, in a message to global partners, extended a warm invitation to the summit, calling it an opportune moment to explore Bangladesh's investment potential.

"My friends, partners, and distinguished global leaders from around the world, it is my honour and pleasure to warmly invite you to the Bangladesh Investment Summit 2025," Yunus said.

He highlighted the country's recent economic transformations, driven by progressive investment policies, and reaffirmed the government's commitment to ensuring a level playing field for all investors.

"Bangladesh today stands out with its defining strengths -- solid economic fundamentals, globally competitive resources, and one of the highest returns on investment in the region.

"This summit serves as your gateway to data-driven insights into Bangladesh's most promising sectors. Join us and witness firsthand the immense opportunities our nation holds. Partner with us in shaping the future of one of the world's most dynamic economies."

Scheduled to run from April 7 to April 10, the summit aims to draw attention from global investors and underscore Bangladesh's evolving economic landscape.

More than 550 foreign investors from 50 countries have registered to attend, alongside 2,500 local participants.

READ MORE ON B3

Although Eid-ul-Fitr was celebrated last Monday, many stores around the capital remain closed as shop owners and employees make the most of the longest break of the year. The photo was taken at Bangshal in the capital's Old Dhaka neighbourhood on Friday.

PHOTO: ANISUR RAHMAN

Trump hails 'very productive' call with Vietnam leader

AFP, *Palm Beach*

US President Donald Trump said Vietnam's top leader told him in a "very productive" call Friday that he wanted to make a deal on tariffs, after the southeast Asian nation was hit by huge levies.

A manufacturing powerhouse that counted the United States as its biggest market last year, Vietnam was hammered with a thumping 46 percent tariff in Trump's global trade blitz.

"Just had a very productive call with To Lam, General Secretary of the Communist Party of Vietnam, who told me that Vietnam wants to cut their Tariffs down to ZERO if they are able to make an agreement with the US," Trump said on Truth Social.

"I thanked him on behalf of our Country, and said I look forward to a meeting in the near future."

Trump's apparent willingness to engage in talks with Vietnam highlighted wider uncertainty over his tariff policy, after officials had insisted that the levies were non-negotiable.

Vietnam took advantage of its location and cheap skilled labour to position itself as an alternative manufacturing hub to China during a trade war between Beijing and Washington in Trump's first term. Many companies shifted parts of their supply chain, and Vietnam's trade surplus with the United States doubled between 2017 and 2023.

But now big brands such as Nike -- which produced 50 percent of its footwear and 28 percent of its apparel in Vietnam in the 2024 financial year -- face vastly higher costs, which they will have to absorb or pass on to customers.

Tariffs may raise US inflation, cool growth

Federal Reserve chair warns

AFP, *Arlington*

US tariffs will likely cause inflation to rise and growth to slow, Federal Reserve Chair Jerome Powell said Friday, also warning of an "elevated" risk of higher unemployment.

President Donald Trump's dramatic trade measures announced earlier this week have tightened scrutiny of Powell and how the Fed will react to free-falling financial markets and concerns that a prolonged trade war would ramp up consumer prices and joblessness rates.

"It is now becoming clear that the tariff increases will be significantly larger than expected," Powell told an event in Virginia.

"The same is likely to be true of the economic effects, which will include higher inflation and slower growth," he said, adding that it was "too soon" to consider changes to US monetary policy.

Powell spoke just minutes after Trump posted on social media, urging him to cut interest rates immediately and accusing him of playing politics in his role running the independent US central bank.

The larger-than-expected tariffs unveiled on Wednesday stack on top of earlier country-specific levies, meaning that China, for example, will now face a new levy totaling 54 percent.

Jerome Powell

Other top trading partners will also see higher rates, with the European Union now facing a 20 percent tariff from April 9, and India looking at a 26 percent levy.

The Trump administration has also targeted specific sectors of the economy, recently slapping a 25 percent tariff on automobiles not made in the United States.

Powell said Friday that he expected the current uncertainty to decline in the coming months. "Fast-forward a year from now, the uncertainty should be much lower," he noted. "The actual effects of the policies should then be pretty manifest and clear."

Wall Street financial markets extended their earlier declines on Powell's remarks. At around 1:00 pm local time (1700 GMT), the broad-based S&P 500 index was down around 4.6 percent.

Trump tariffs wipe $5tn off Wall Street

REUTERS, *Orlando*

One of the most pivotal weeks in years - even decades - for the global economy closed on Friday to the sound of the Nasdaq crashing into a bear market as investors fear US President Donald Trump's trade war will tip the world into recession.

Less than 48 hours after Trump raised tariff barriers to the highest in over a century, China on Friday said it would slap additional 34 percent duties on all US imports, escalating the global trade war to new, dangerous heights.

Any hopes investors had of Federal Reserve Chair Jerome Powell coming to the rescue by signaling a readiness to cut interest rates - as Trump had appeared to pressure him into doing in a social media post earlier in the day - were dashed, as Powell stressed the "elevated risks" to both growth and inflation.

This 'wait and see' approach rattled Wall Street further - the S&P 500's 6 percent slump meant the index's market cap plunged $5 trillion in just two days.

The Fed is in a real bind, faced with the rapidly rising risk of recession and soaring price pressures. Treasuries may have been caught between these two stools on Friday, but it is crystal clear where rates traders are putting their money - four rate cuts are fully priced in for this year, starting in June.

However, given the ferocity of the equity market selloff, collapse in confidence and extraordinarily uncertain outlook, it wouldn't be a total shock if the Fed cut rates at its May 6-7 meeting. Indeed, could an inter-meeting move be ruled out if the market rout continues next week?

This is the heaviest slide across global stocks since the pandemic in 2020. But unlike that crash and the Global Financial Crisis in 2008, the current turmoil on Wall Street is a result of clear-headed policy choices made by a government that would have known this kind of outcome was distinctly possible, if not highly likely.

Many analysts reckon this hasn't been seen before. Some of the economic and market numbers that have been seared into investors' consciousness this week haven't been seen for a long time either:

- The highest US tariffs in over 100 years
- Effectively the biggest US tax rise since 1968, according to JP Morgan analysts, who now say a global recession is more likely than not
- $5 trillion of US equity market cap wiped out in two days, bringing the total market cap lost since Trump's inauguration in January to nearly $8 trillion

Economists at Barclays now reckon US inflation will exceed 4 percent this year while GDP will contract in the fourth quarter, a move "consistent with recession".

PHOTO: AFP

The board of New York Stock Exchange at the closing bell on April 4.

How can EU respond to tariffs?

AFP, *Brussels*

The EU has "everything on the table" as a response to President Donald Trump's sweeping new tariffs -- including possibly targeting US Big Tech and taxing more American goods -- should talks with Washington fail.

The European Commission, in charge of the EU's trade policy, refuses to give any details on what its comeback to Trump's 20 percent tariffs starting April 9 could include.

But France, Germany and Austria have suggested targeting the biggest digital companies, including Google and Facebook owner Meta.

So far, the commission has stressed that negotiations will be its priority. After talks with US counterparts on Friday, EU trade chief Maros Sefcovic said the EU was "committed to meaningful negotiations, but also prepared to defend our interests".

These are the options the 27-country European Union has if further talks are unsuccessful:

When Trump hit steel and aluminium imports with a 25 percent tariff in March, the EU decided on "an eye for an eye" approach.

With his extra levies affecting $28 billion of the EU's exports, Brussels opted to target US goods worth the same amount from mid-April, including Harley Davidson motorbikes and agricultural products like soybeans and meat.

Now the EU faces new tariffs of 20 percent announced by Trump this week, which has kickstarted another conversation inside the bloc about further retaliatory action.

"We will react in areas where it hurts the United States," a senior EU official said.

Officials have previously said the EU will target goods from politically important US states, including soybeans produced in Louisiana, the home of US Speaker Mike Johnson, who pushes Trump's agenda in Congress.

"We love soybeans, but we can get them from Brazil," the EU official said.

"We like Harley-Davidsons, but we also like MotoGuzzi. Or we can buy Yamaha. So, there are alternatives there and we are not hurting ourselves."

Although the commission has been coy about whether it has US Big Tech in its sights, France straight off the bat said the EU's targets could include American tech titans.

French government spokeswoman Sophie Primas said the EU could go after online services, "which are not taxed today but could be".

Economy Minister Robert Habeck echoed Primas, insisting "everything is on the table".

Steelmakers struggle

FROM PAGE B4

While appreciating the interim government's initiatives toward political reform, he expressed disappointment over red tapes and other bureaucratic hurdles in doing business.

"Businesses are still stuck with the same old problems -- waiting endlessly for approvals, chasing files, dealing with centralised decision-making in Dhaka. If you send a letter to a government office, you rarely get a response unless you follow up in person."

"From an individual citizen's perspective or a business one -- we haven't seen any real change," he said, urging policymakers to take bold and transformative steps.

"If we keep going as we are, nothing will change. We need strong leadership to reform taxation, improve ease of doing business and control macroeconomic risks. Otherwise, FDI will remain a distant dream."

On an optimistic note, he commended the Bangladesh Bank for its role in stabilising the exchange rate.

"Macroeconomic stability is important. As GDP grows, consumption and imports will rise. But if exports don't grow at the same pace, we'll be stuck," he said, calling for export diversification and a more competitive business environment.

"If tax and interest rates are reduced, energy and logistics costs lowered, and policies simplified -- we can attract foreign investment and grow exports," he added.

As for BSRM's own strategy in this uncertain period, Alihussain said the company would prioritise financial stability and cost control over fresh investments.

"Our strategy is to keep our costs and loans in check. Interest rates are too high to justify new investments in existing plants. Instead, we will maintain our cash flow and sustain the business," he commented.

BRAC Bank signs strategic partnership deal with PHP Group

STAR BUSINESS DESK

BRAC Bank has entered into a strategic partnership agreement with PHP Group, a Chattogram-based corporate business conglomerate, to provide banking solutions that will support the group's business growth in Bangladesh.

Md Ali Hossain, director of PHP Group, and Tareq Refat Ullah Khan, deputy managing director and head of corporate and institutional banking at the bank, signed the agreement at the former's corporate office in Khulshi, Chattogram recently, according to a press release.

This partnership will allow PHP Group to leverage BRAC Bank's extensive distribution network and advanced, tailored corporate and institutional banking solutions, which are expected to drive further expansion of the group's business operations.

The collaboration marks a significant milestone in fostering mutual business growth and achieving operational excellence, emphasising BRAC Bank's commitment to empowering corporate clients through modern, efficient, and technology-driven services.

Kayesh Chowdhury, head of regional corporate at the bank, along with other senior officials from both organisations, was also present.

PHOTO: BRAC BANK

Tareq Refat Ullah Khan, deputy managing director and head of corporate and institutional banking at BRAC Bank, and Md Ali Hossain, director of PHP Group, pose for photographs during a deal signing ceremony at the latter's corporate office in Khulshi, Chattogram recently.

Is this really a reciprocal

FROM PAGE B4

Among the top 10 largest RMG-exporting countries to the US, only Vietnam and Cambodia will face higher reciprocal tariffs than Bangladesh. These two countries are major competitors of Bangladesh in the global market, and Bangladesh will gain preference over them.

Since China is already subject to high tariffs in the US, it is unlikely to pose an additional threat to Bangladesh's RMG exports.

However, India, Indonesia, and Pakistan will gain preference over Bangladesh in the US market due to lower reciprocal tariffs.

Mexico and Honduras are likely to be the major beneficiaries in RMG exports to the US, as Honduras will be subject only to the 10 percent baseline tariff, and Mexico will not face any reciprocal tariffs.

Another issue that may arise in domestic policy discussions is whether it is possible to engage in dialogue with US authorities to reduce or eliminate the reciprocal tariffs for Bangladesh.

The Executive Order states that if a trading partner takes significant steps to remedy non-reciprocal trade arrangements and aligns sufficiently with the United States on economic and national security matters, the reciprocal tariff may be modified by reducing or limiting the duties imposed.

It is evident from the formula used to estimate reciprocal tariffs that the only practical option for Bangladesh is to increase imports from the US, as the formula considers only the trade deficit.

Other criteria mentioned in the order appear to play a limited role.

The writer is a former member of Bangladesh Trade and Tariff Commission.

Slowdown in container delivery resulted in the accumulation of more than 9,000 TEUs of additional containers within a span of seven days till yesterday. PHOTO: RAJIB RAIHAN

Container delivery yet to return to normalcy at Ctg port

But situation is still better than in previous years

DWAIPAYAN BARUA, *Ctg*

Chattogram port is seeing a backlog in import container delivery as many businesses are yet to collect their cargo despite five days having passed since the Eid-ul-Fitr holiday.

Although the country's premier seaport remained fully operational during the holiday, the expected benefits could not be seen in container delivery activities, officials said.

This resulted in the accumulation of more than 9,000 TEUs of containers within the span of seven days till yesterday.

Until the morning of March 30, the day before Eid-ul-Fitr, there were 31,707 TEUs of all types of containers inside the port.

As of yesterday, the number climbed to 40,948 TEUs.

Port officials blamed importers for not taking proper delivery, thereby causing the accumulation.

According to berth operators, delivery of import containers started dropping two to three days before Eid, which was celebrated on March 31.

The delivery rate came down to only 1,753 TEUs on March 29 and 809 TEUs on March 30 against the average daily delivery of 4,500 TEUs to 5,000 TEUs.

Not a single container was delivered on Eid day.

On the following four days till yesterday morning, an average of only 933 TEUs was delivered from the port.

However, port users and berth operators opined that the situation this year is not as bad as it was in previous years, mainly due to some measures taken by the authority far ahead of Eid.

In mid-February, the authorities warned of imposing four times higher storage rent for longer stay of containers, said Nazmul Hoque, executive director of Saif Powertec, the berth operator of the port's New Mooring Container Terminal.

Until the morning of March 30, the day before Eid-ul-Fitr, there were 31,707 TEUs of all types of containers inside the port. As of yesterday, the number climbed to 40,948 TEUs

Such measures yielded significant results, which created enough vacant space in most port yards before the holiday started.

"If the yards did not have that much space, the situation could have turned out worse," he added.

However, Hoque admitted there has been an accumulation of containers in the last few days.

As such, the port yards started to face congestion since Saturday, he said.

Chittagong Port Authority Secretary Md Omar Faruk said though delivery remained low, the arrival of ships and unloading of imports went on at normal pace over the holiday, except for an eight-hour halt on Eid day.

The importers did not show up since factories remained shut due to the festival and holidays, he added.

Faruk hoped that as overall activities gained momentum, the situation would improve quickly.

Trump tariffs to test resilience of US consumers

AFP, *New York*

In unveiling tariffs this week challenging the decades-old international trade order, President Donald Trump lambasted globalization as a raw deal for the United States that has devastated US manufacturing towns.

Trump left out the upside to the United States from the liberal flow of goods: a reliable supply of affordably priced appliances, clothing and electronics whose consumption has helped lift US economic growth above other developed economies in recent years.

"Obviously we've benefited significantly," said Paul Gruenwald, global chief economist at S&P Global Ratings. "We get to consume a lot of things that are produced more efficiently in other countries."

Trump's tariffs are almost certain to negatively impact this dynamic, say economists who see the levies lifting the price on everything from Gap t-shirts to the Apple iPhone to French wine.

"This is very clearly going to raise consumer prices," Michael Pearce, a US economist with Oxford Economics, said of the barrage of levies announced late Wednesday in an unveiling the White House billed as "liberation day."

Winners in Trump's policy include communities that benefit from reshored manufacturing, while losers include export-focused industries like plane manufacturing and pharmaceuticals if there are retaliatory tariffs, Pearce said.

"This is very clearly going to raise consumer prices," said Michael Pearce, a US economist with Oxford Economics

But imports represent only about 14 percent of US gross domestic product, while exports account for 11 percent -- figures that are even lower if energy is taken out. Moreover, goods account for one-third of US consumption compared with services, which comprise the rest.

"The net impact on the US economy may be surprisingly small given the headlines we're seeing," said Pearce, who warned that Trump's levies could end up disproportionately hurting low-income consumers if the tariffs are paired with tax cuts that benefit the wealthy.

Gruenwald, who described US consumer resiliency as a core strength in recent times, said S&P will lower the US outlook somewhat amid a higher inflation outlook for 2025. But he said the trade war "wouldn't move the needle" in the short-term "for a big economy like the United States."

Trump's Wednesday White House event unveiled levies on dozens of countries including all major US trading partners. These included the imposition of 20 percent levies on the European Union, 24 percent on Japan and an additional 34 percent on goods from China -- bringing the new added tariff rate there to 54 percent.

Trump cast the event in historic terms, saying Wednesday "will forever be remembered as the day American industry was reborn" and the country turned the page on globalization.

"For decades, our country has been looted, pillaged, raped, and plundered by nations near and far, both friend and foe alike," he said.

Bangladesh earned Tk 1,500cr

FROM PAGE B1

In FY23, tax collected from US imports amounted to Tk 1,316 crore.

In the first nine months of the current fiscal year, Bangladesh imported more than 2,200 items from the US, but just 10 of those accounted for over Tk 500 crore in tax revenue.

Among these, motor cars faced the highest total tax incidence (TTI) at 150.76 percent, while chemical wood pulp had the lowest at 20 percent.

Bangladesh has over 7,500 tariff lines, with the highest TTI reaching as much as 1,021 percent.

In terms of value, major imports from the US included ferrous waste and scrap at Tk 202 crore, artificial filament tow of cellulose acetate at Tk 118 crore, and almonds at Tk 55 crore.

The internal NBR exercise was carried out after US President Donald Trump slapped a steep reciprocal tariff on Bangladeshi goods citing widening trade deficits.

The US government claimed Bangladesh effectively imposes a 74 percent tariff on American goods. In response, a 37 percent "discounted reciprocal tariff" will now be levied on Bangladeshi products entering the US market.

However, an NBR official, speaking on condition of anonymity, told The Daily Star yesterday that the average weighted tariff on US imports currently stands at around 3 percent.

"If we include other duties such as supplementary and regulatory duties, the average tariff would be closer to 3.5 percent," added the official.

Another senior NBR official said there is a zero-duty privilege for a number of US items, including cotton, soybeans, liquified natural gas and petroleum products.

"So, the total effective import tax on merchandise goods from the US stands below 5 percent."

According to the revenue official, as the issue centres on reducing the trade deficit with the US, they have selected nearly a dozen items on which import tariffs could be reduced.

"Even if we reduce import duties on certain US items, imports may not increase unless the private sector is willing to source items from the American market. An option could be government purchases to narrow the trade gap," he said.

Similarly, MA Razzaque, chairman of the Research and Policy Integration for Development, a local think tank, dismissed Washington's claim of a 74 percent tariff being imposed by Bangladesh on American products.

"The Trump-era reciprocal tariff formula is completely unscientific and economically irrational," the economist said. "It's methodologically flawed and fundamentally wrong."

Razzaque argued that simply lowering tariffs would not significantly boost US exports to Bangladesh.

"As the US is not a competitive player in the manufacturing sector, simply reducing tariffs won't lead to a significant increase in imports," he commented. "Under the current circumstances, it's very difficult to boost imports from the US."

Razzaque warned against making unilateral concessions. "Bangladesh has a tariff structure for all countries. If we make an exception for the US, other nations like India and Japan may demand the same preferential treatment," he said.

Asked how Bangladesh should respond, he advised initiating discussions with the US and engaging in stronger negotiations.

As of 8pm yesterday, Chief Adviser Professor Muhammad Yunus was at an emergency meeting with leading economists, advisers, and senior government officials to formulate a response.

A source who attended the meeting said the NBR is likely to recommend reducing tariffs on around 15 products from the US. These include plastic goods, capital machinery, generators, frozen meat, electric bulbs, and cables, among others.

Investment summit begins tomorrow

FROM PAGE B1

Against this backdrop of political uncertainty, isolated incidents of labour unrest, and broader economic challenges, the summit is seen as a crucial platform to rebuild investor confidence, highlight economic reforms, and position Bangladesh as a competitive investment destination.

According to the Bangladesh Bank, FDI inflows declined by 71 percent year-on-year in the July-September quarter of FY25, dropping to $104.33 million -- the lowest in six years.

The country's total FDI stock stood at $17.68 billion as of September 2024, with the United Kingdom, Singapore, and South Korea emerging as the top three investors.

The UK leads the way with $3.05 billion -- primarily invested in banking, power, and pharmaceuticals. Singapore follows with $1.78 billion, and South Korea ranks third with $1.6 billion, driven by investments in manufacturing and telecommunications.

Many high-ranking officials and dignitaries are expected to take part in the summit, according to the Bangladesh Investment Development Authority (Bida), including Óscar García Maceiras, CEO of Inditex, Sultan Ahmed bin Sulayem, group chairman and CEO of DP World, Kyeongsu Lee, vice-president of Samsung Construction and Trading Corporation, Jon Omund Revhaug, executive vice-president and head of Telenor Asia, and Han Jun-seokt, CEO of Giordano Korea.

Baroness Rosie Winterton of Doncaster DBE, the UK's trade envoy to Bangladesh, Jarno Syrjälä, under-secretary of state for international trade at the ministry for foreign affairs of Finland, and Mike Orgill, senior director, public policy and government relations for the Asia Pacific at Uber, are also expected to feature.

At a press briefing held at the Foreign Service Academy in Dhaka on March 23, Ashik Chowdhury, executive chairman of the Bida, reaffirmed the government's commitment to fostering an investment environment anchored in economic stability and policy transparency.

Rising costs erode business

FROM PAGE B1

Bangladesh's reliance on expensive imported liquefied natural gas (LNG) and furnace oil has exposed businesses to volatile and elevated electricity prices.

Vietnam and India, by comparison, have successfully expanded renewable energy capacity and secured stable, long-term energy supplies, reducing production uncertainty.

Cambodia, despite its economy being smaller, benefits from affordable hydropower imports from its neighbours.

The situation is further aggravated by the rising cost of finance.

The recent adoption of the SMART interest rate regime has driven business lending rates above 13 percent.

In comparison, Vietnamese firms enjoy borrowing rates between 7 to 9 percent, while India's recent monetary easing has brought small and medium enterprise lending rates to around 8 to 10 percent.

Policy inconsistency is also becoming a serious impediment.

Frequent changes to tariff structures, regulatory delays, and a lack of predictability in key business policies have diminished confidence among both foreign and domestic investors. By contrast, Vietnam and Cambodia have pursued stable, investment-friendly regulatory environments.

A comparative study by the Policy Research Institute (PRI), titled "Vietnam's Superb Export Performance: Lessons for Bangladesh" and conducted in 2021, shows that Vietnam now attracts nearly $27 billion in annual foreign direct investment (FDI).

Meanwhile, Bangladesh struggles to reach even $3 billion.

Even Cambodia, with a far smaller economy, performs better than Bangladesh in FDI inflows per capita.

Selim Raihan, executive director of the South Asian Network on Economic Modeling, observed that Bangladesh was caught in a web of deep-rooted structural problems.

"We are stuck in several fundamental areas," he said. "Logistics, business finance, and the high cost of capital have become significant constraints. Our only sustained advantage has been low labour costs -- and even that is now under threat."

Raihan warned that unless Bangladesh addresses its critical weaknesses in infrastructure, port management, business finance, and skills development, the country's ambitions to diversify beyond ready-made garments would remain elusive.

Raihan said Bangladesh urgently needs policy reforms, robust infrastructure development, and skilled workforce training to enhance its export competitiveness.

It is essential to formulate supportive policies to attract foreign investment and expedite the implementation of free trade agreements (FTAs), he said.

"Efforts should also be undertaken to reduce tariffs and diversify exports. Active participation in bilateral, multilateral, and regional cooperation is crucial for global trade," he said.

He emphasised that immediate initiatives were vital to addressing upcoming challenges following Bangladesh's graduation from least developed country (LDC) status.

M Masrur Reaz, chairman of Policy Exchange Bangladesh, echoed similar concerns.

"The issue is no longer confined to the garment sector. The entire business environment is under pressure due to high costs and structural inefficiencies," he said.

"Geopolitical shifts, rising protectionism, and automation are reshaping global value chains. Countries with stronger fundamentals are taking advantage of this transition, while Bangladesh is falling behind," he said.

Reaz underlined the urgent need for reforms to enhance trade facilitation, modernise logistics, strengthen infrastructure, and build human capital. "Without timely and coordinated actions, Bangladesh's position as a competitive manufacturing and export hub will continue to weaken," he said.

Adding to these concerns, Asif Ibrahim, a leading exporter of the readymade garments sector, said Bangladesh's exports to the US would face challenges following the hiking of the tariff on imports from Bangladesh.

"This tariff will be a significant burden for Bangladesh's overall exports to the United States, especially when some of the countries that Bangladesh compete with for US market share have been imposed with lesser tariffs," Ibrahim said, referring to India.

He urged policymakers to address this challenge on an urgent basis by reducing import tariff of the main export items of the US to Bangladesh.

"This is crucial for protecting Bangladesh's long-term trade interests and for ensuring sustained economic growth," he added.

With the upcoming LDC graduation in 2026, Bangladesh's competitiveness will be tested further as preferential trade treatments begin to phase out.

Without significant reforms, the rising cost of doing business could become the biggest obstacle to Bangladesh's future growth.

IMF mission

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Subsidies, which have been rising significantly in recent years, will also be among the key areas of focus.

The government's budgetary allocation for subsidies soared from around Tk 8,000-9,000 crore a few years ago to Tk 40,000 crore in the original budget for fiscal year 2024-25. In the revised budget for the same year, the subsidy allocation ballooned to Tk 62,000 crore.

As such, the IMF mission will place an emphasis on reducing it.

Finance Adviser Ahmed told journalists last week that he was hopeful the IMF would disburse two instalments in June. He was also optimistic that Bangladesh would be able to meet the prior conditions to avail the instalments by June.

The $4.7 billion loan programme was approved by the IMF in January 2023. So far, Bangladesh has received $2.3 billion in three tranches.

Steelmakers struggle against growing headwinds

Says BSRM MD as finger pointed at weak demand, uncertainty

DWAIPAYAN BARUA

Local steel industry is enduring a turbulent phase, grappling with subdued demand due to sluggish government spending and wavering private sector confidence, driven largely by political uncertainty.

Adding to the strain, the sector – already weighed down by high operating costs and regulatory inefficiencies – now faces an additional blow with the proposed gas price hike, according to Aameir Alihussain, managing director of BSRM, the country's leading steel manufacturer based in Chattogram.

In an interview with The Daily Star, Alihussain advocated for increased development spending by the government and a clear political direction to restore confidence among private investors.

BSRM recently completed a major expansion project, setting up its third re-rolling plant in Mirsharai. This raised its combined annual production capacity of rods and billets to 24 lakh tonnes.

Similarly, by adding a second unit, Chattogram-based Abul Khair Steel expanded its annual long steel production capacity to 30 lakh tonnes.

Alihussain said that industry people took these expansion decisions three to four years ago based on certain momentum of the economy. "But that momentum has suddenly gone down."

"Since the political changeover in August last year, the steel market has seen very slow demand, a trend that persisted through November," he said.

Though there was a modest uptick in December and January, the steelmaker said that the sales spike was merely due to "pent-up demand" – a temporary rebound after months of stagnation.

"The dry season is usually the peak period for construction, but we are not seeing that usual activity," he added.

For the sales slowdown, he pointed the finger at reduced public expenditure.

Government projects account for 60-70 percent of total steel demand, and any contraction in this area hits the sector directly, said the BSRM MD.

"There are a few major projects underway in Dhaka, such as metro rail constructions and the elevated expressway, but there is a stalemate in mid and lower-tier construction, especially in upazilas and unions," he said.

He said that the interim government may face limitations in new development projects, but previously approved ones should continue. "If a project is found unsuitable, the government should replace it with a better one instead of halting development altogether."

Alihussain recognised the government's attempts to blunt the stubbornly high inflationary curve through spending cuts, but argued that economic momentum must be maintained in parallel.

"To sustain the economy, we have to keep up spending, while also managing inflation and macroeconomic risks," he said.

The BSRM chief called for a complete overhaul of the taxation system to both widen the tax net and reduce rates.

"Our VAT rate has been increased to 15 percent, and income tax to 30 percent. These should be lowered to 5 percent and 15 percent, respectively," he said. "This will initially reduce government revenue, but within two years, as the tax base expands, revenue will shoot up."

Expressing concern over the proposed gas price hike, Alihussain said it would deal a fresh blow to the steel industry.

"If gas prices suddenly jump, product prices will rise. That would hit demand because many customers simply won't be able to afford the increase," he said, suggesting subsidies as an alternative.

He pointed to ongoing political uncertainty as a major deterrent to private investment.

"Before making decisions, investors are waiting to see a clear political roadmap," he said.

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New tariffs may hurt Bangladesh, and US too

MAMUN RASHID

US President Donald Trump has done what he had long wanted to do – try to increase America's revenue in every possible way. As Trump was heard saying, "I could've come up with 100 percent reciprocity but this time closed on 50 percent only." His trade accounting people, though, seemed to have goofed up between trade volume and duty percentage, but so be it.

With this new reciprocal tariff, Bangladesh – especially its $8 billion-plus apparel export sector – is set to face fresh economic pressure, as its exports to the United States will now be subject to a 37 percent "reciprocal tariff", slightly higher than those of India, Pakistan and Türkiye.

The measures mark President Donald Trump's most aggressive challenge yet to the post-World War II global trade order, triggering alarm among economists and industry leaders worldwide. Under the new structure, a minimum 10 percent tariff will apply to all US imports, while steeper, country-specific "reciprocal" tariffs will target around 60 nations, including Bangladesh. Previously, Bangladeshi goods entered the US market with an average duty of 15.62 percent.

As many have noted, Bangladesh's predominant export and employment-generating apparel sector is likely to bear the brunt of this change. The United States has historically been a top export destination for Bangladeshi apparel, and such a steep tariff could significantly reduce competitiveness. The US accounts for almost 20 percent of Bangladesh's total cross-border exports.

Bangladesh's exports to the US rose 1.1 percent year-on-year to $8.4 billion in 2024, driven largely by the country's dominant apparel exports. Its imports from the US totaled $2.2 billion in 2024, a 1.5 percent decrease from the previous year. As a result, the US trade deficit with Bangladesh widened to $6.2 billion.

Though this is still an evolving scenario and too early to comment on the overall country-to-country impact, the reciprocal tariff regime applies different rates to different countries – and even product categories – making the global trading environment more fragmented and unpredictable, with the list of possible winners and losers unclear.

Following the possibility of Trump's tariff announcement, major clothing retailers, including H&M, have already expressed concern. Many such off-takers noted that the tariffs were likely to lead to increased prices for US consumers, signalling potential knock-on effects, including a possible recession.

There is no denying that Bangladesh must respond strategically and proactively to this. Business leaders seem to be relying too much on the global goodwill of Nobel Laureate Yunus, our interim government head.

A few also believe that, to navigate these rough waters, Bangladesh must rethink its domestic trade regime, engage actively in reforming the global trade system, and enhance trade integration with key partners to secure its position in the evolving global trade architecture.

Bangladesh is not alone – other Asian nations are also in the line of fire. Vietnam faces a 46 percent tariff, while other nations are also slapped with higher tariffs: Japan at 24 percent, South Korea at 25 percent, India at 26 percent, Cambodia at 49 percent, and Taiwan at 32 percent.

China, the primary focus of Trump's trade agenda, will face a 34 percent reciprocal tariff, which stacks atop an existing 20 percent fentanyl-related duty and separate levies on categories like solar panels. That brings the effective tariff rate on many Chinese goods to well above 50 percent. Some analysts warn this could result in up to a 90 percent decline in Chinese exports to the US by 2030.

Setting other countries aside, Bangladesh could possibly revisit its import tariffs for "Made in USA" items, as these are insignificant in volume, to mitigate the reciprocity effect. The country is a major importer of US cotton. Any arrangement to apply lower tariffs for US cotton-made apparel could have also helped us and had been under discussion for the last few years.

Above all, nothing can replace proactive trade diplomacy, especially vis-à-vis other similar competitors. Too much internal political turmoil is consuming valuable time that should be spent fixing the cross-border economic order.

The writer is an economic analyst and chairman at Financial Excellence Ltd.

Dollar recovers

REUTERS, *New York*

The US dollar rebounded against major currencies such as the euro and yen on Friday after Federal Reserve Chairman Jerome Powell acknowledged the repercussions of larger-than-expected US tariffs and signaled a cautious tone on future easing.

Powell said tariffs increased the risk of higher inflation and slower growth, highlighting the difficult path ahead for policymakers at the US central bank.

The Australian dollar, meanwhile, seen as a liquid proxy for the yuan, hit five-year lows against the greenback after China announced additional tariffs on US goods on Friday.

US tariffs to hit India's GDP growth, prompt more rate cuts: analysts

REUTERS, *Mumbai*

India's economic growth could slow by 20-40 basis points in the ongoing financial year due to the latest US tariffs, which would prompt deeper interest rate cuts by the central bank, analysts said.

US President Donald Trump on Wednesday slapped a 26 percent reciprocal tariff on India, threatening the Reserve Bank of India's (RBI) estimate of 6.7 percent economic growth in 2025-26 and the government's economic survey forecast of 6.3 percent-6.8 percent.

After the tariffs, Goldman Sachs lowered its growth estimate to 6.1 percent from 6.3 percent. Citi forecast a 40 bps drag on growth directly and indirectly, while Mumbai-based QuantEco Research estimated a 30 bps hit.

Moreover, with inflation expected to average 4.2 percent this financial year, close to the RBI's target, the central bank cut interest rates for the first time in five years in February. It is expected to follow that with another 25 bps cut to 6 percent at the conclusion of its April 7-9 meeting, per a Reuters poll.

However, while the poll showed that economists had expected just one more cut after that -- to a policy repo rate of 5.75 percent in August -- before a prolonged pause, the US tariffs have prompted a rethink to those estimates.

Goldman, Citi and QuantEco Research had also predicted just one to two more cuts this year, but now expect 75 bps of cuts this financial year, taking the policy rate to 5.5 percent, which would be the lowest since August 2022.

"This would be an appropriate risk minimization strategy on the face of larger downside risks to growth compared to much lower upside risk to inflation," Citi's India chief economist Samiran Chakraborty said in a note late on Thursday.

The growth-inflation dynamics "open up policy space for the MPC (monetary policy committee) to support growth, while remaining focussed on aligning inflation with the target," the MPC said in February.

The Indian economy's growth is expected to have slowed to a four-year low of 6.5 percent in the financial year ended March 31, as urban demand weakened due to high inflation, tight liquidity and tougher RBI rules slowing loan growth across personal loans and credit cards.

The central bank has, however, significantly eased liquidity conditions since new Governor Sanjay Malhotra took over in December. Plans to further tighten banking regulations have also been pushed back.

Alongside this, the government announced a tax relief for all Indians earning up to 1.2 million rupees a year in its annual budget in February.

The tax cuts and monetary policy easing will help domestic demand, said a government source who asked not to be identified.

These should act as buffers for the economy, the source said, adding that India sees no need for an economy-wide stimulus at this stage but sector-specific stress could be addressed through targeted measures.

Is this really a reciprocal tariff remedy?

MOSTAFA ABID KHAN

The president of the United States of America issued an executive order on April 2 this year to impose reciprocal tariffs.

The order contains two actions. First, the imposition of a 10 percent baseline tariff on imports from all countries starting from April 5, in addition to the currently applicable tariffs.

Second, the imposition of country-specific tariffs on imports from 53 targeted countries, also in addition to the currently applicable tariffs, starting from April 9.

The executive order states that "Large and persistent annual US goods trade deficits are caused in substantial part by a lack of reciprocity in our bilateral trade relationships. This situation is evidenced by disparate tariff rates and non-tariff barriers that make it harder for US manufacturers to sell their products in foreign markets".

It further clarifies that although tariff negotiations in the GATT and WTO have been on a reciprocal basis, the simple average tariff on imports by the US is significantly lower than those of the European Union, India, Brazil, Vietnam, and China.

Product-specific tariff comparisons with these countries also show similar results. Moreover, the order asserts that non-tariff barriers deprive US manufacturers of reciprocal access to markets around the world.

It also mentions that trading partners have repeatedly blocked multilateral and plurilateral solutions, including in the context of new rounds of tariff negotiations and efforts to discipline non-tariff barriers.

At the same time, with the US economy disproportionately open to imports, US trading partners have had few incentives to provide reciprocal treatment to US exports in bilateral trade negotiations.

Thus, this executive order aims to reduce the trade deficit through the imposition of reciprocal tariffs.

Just before issuing this order, the US president signed, on February 13 of 2025, a Presidential Memorandum entitled "Reciprocal Trade and Tariffs," which directed a further review of trading partners' non-reciprocal trading practices and an examination of the relationship between those practices and the trade deficit.

This included an analysis of tariffs imposed on US products and unfair, discriminatory, or extraterritorial taxes, non-tariff barriers, burdensome regulatory requirements, etc., imposed by trading partners on US businesses, workers, and consumers.

There is no doubt that the imposition of reciprocal tariffs aims at reducing the trade deficit. The first step toward this is the 10 percent baseline tariff on imports from all countries.

However, this tariff does not relate to reciprocity. It is surprising to see how the country-specific reciprocal tariffs have been estimated.

US President Donald Trump signs an executive order after delivering remarks on reciprocal tariffs during an event titled "Make America Wealthy Again" at the White House in Washington, DC on April 2. PHOTO: AFP

Surprisingly, none of the president's directives to examine the policies of trading partners are reflected in the formula used to calculate the reciprocal tariffs.

The formula simply estimates the tariff levels that might balance the US trade with specific countries, aiming for a zero trade deficit.

The order refers to these as "reciprocal tariffs," although the country-specific tariffs proposed are half of these estimated tariffs, and are termed as "discounted reciprocal tariffs".

Many are under the impression that these tariffs are equivalent to those imposed by partner countries. This is not the case. The simplistic estimation assumes that if the trade policies of two countries are the same, there would be no trade deficit or surplus—which is clearly unrealistic.

For instance, the US and Israel have had a Free Trade Agreement (FTA) since 1985. Both countries enjoy duty-free access to each other's markets.

Nevertheless, the US runs a goods trade deficit with Israel, although it has a surplus in services and investment. Under these circumstances, it is implausible that Israel imposes an equivalent of a 34 percent tariff on US goods.

Similarly, Bangladesh's exports face a 15 percent import-weighted tariff in the US, while US exports to Bangladesh face only a 3.32 percent weighted average tariff (considering customs duty, supplementary duty, and regulatory duty).

There are no specific import barriers against the US It is equally unlikely that other barriers in Bangladesh raise the equivalent tariff to 74 percent.

Therefore, it is evident that the tariffs estimated by the US are not truly reciprocal tariffs. Rather, they are the rates projected to eliminate the US trade deficit with individual trading partners.

Now, the question arises: how will Bangladesh's exports be affected by the imposition of reciprocal tariffs by the US?

There is no doubt that the imposition of tariffs by the US will reduce demand for Bangladeshi exports. Since readymade garments (RMG) are Bangladesh's major export product, it is appropriate to review the rates of reciprocal tariffs to be imposed on the main RMG competitors in the US market.

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