# 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.

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# 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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