

# Can Bangladesh ride out the wave of US tariffs?

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The global trading system, largely unchanged for a century, got a rude awakening on April 2 when US President Donald Trump slapped massive tariffs on imports into his country. The move sent shockwaves through world markets -- because when America sneezes, the global economy catches a cold.

At the heart of the storm is a staggering 145 percent tariff on Chinese goods. For Bangladesh, the hit was smaller but still painful -- a new 37 percent duty on top of existing taxes.

The announcement sent businesses scrambling. Orders froze. Buyers demanded discounts. Stock markets plummeted.

The tariffs were to take effect on the night of April 9. Then, at the eleventh hour, Trump suddenly paused the tariffs for 90 days -- except for China, which remains locked in a trade war with Washington.

However, the 10 percent baseline tariff on all products entering the American market will continue.

#### WHY NOW?

Trump had promised brutal tariffs during his 2016 campaign, vowing to bring manufacturing back to America. By following through, he aims to revive American manufacturing and boost domestic agricultural sales.

His administration specifically wants to bring back production of high-tech goods like microchips, where China dominates the market.

China's stranglehold on high-tech industries, like semiconductor chips -- a \$400 product that takes just hours to make but which the US can't produce cheaply anymore.

But why hit Bangladesh, a country that mostly sells garment items?

in garments from Bangladesh. But now, with tariffs set to jump from 16.1 percent to 53.5 percent, factory owners are sweating.

Currently, Bangladesh is the third-largest apparel supplier to the US market after China and Vietnam respectively, accounting for around 9.3 percent of total US garment imports of \$105 billion in a year, according to official data.

Bangladesh's garment export to the US was recovering from a slowdown over the last two years brought on by the severe fallout of Covid-19, Russia-Ukraine war, and historic inflationary pressure on the Western consumers.

The American government does not allow duty benefits on garment imports except for from 39 African countries under the African Growth and Opportunity Act.

could steal market share.

If Trump enforces the full tariff structure after the 90 day pause, countries like China, Vietnam, and Cambodia could lose competitiveness.

However, India and Pakistan -- facing lower tariffs than Bangladesh -- could attract more work orders, causing some buyers to shift from Bangladesh to these nations, along with Egypt, Kenya, and Turkey.

Despite these challenges, trade experts say Bangladesh remains cost-competitive due to its skilled workforce, lower production costs, and large manufacturing capacity.

For example, if international clothing retailers and brands pay \$10 for a T-shirt from China or Vietnam, it might cost only \$5-\$6 from Bangladesh.

billion in 2023. Bangladesh mainly imported cotton, soybean seeds, iron and steel products from the USA.

While Trump's tariff strategy aims to protect domestic industries, American consumers could ultimately bear the cost. Since importers pay the tariff and often pass it on to consumers, prices are expected to rise.

As such, major US trade bodies, including the American Apparel and Footwear Association, the United States Fashion Industry Association, and the National Retail Federation, have expressed concern. They warn that higher tariffs may increase living costs, spark inflation, and possibly lead to a recession.

#### BANGLADESH'S DIPLOMATIC RESPONSE

Bangladesh has already taken steps to

Rubana Huq, a former president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

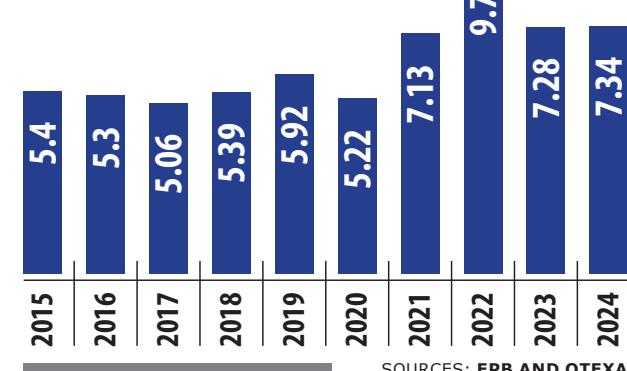
"Everything will depend on strong diplomatic moves. Above all, we must connect with the key personnel in the Trump administration, who in this case is Scott Bessent, who has been entrusted by Trump to deal with individual countries. Strategic alignments are needed besides committing to more imports and removal of non-trade barriers," Huq said.

"Let's remember that Vietnam, in spite of reaching out to Trump at the very beginning, is now being viewed as an adversary of the US administration just because there are discourses on regional interests, which have just started in Asia."

Meanwhile, India is in a comparatively favourable position as

## BANGLADESH'S GARMENT EXPORTS TO US

In billions of \$

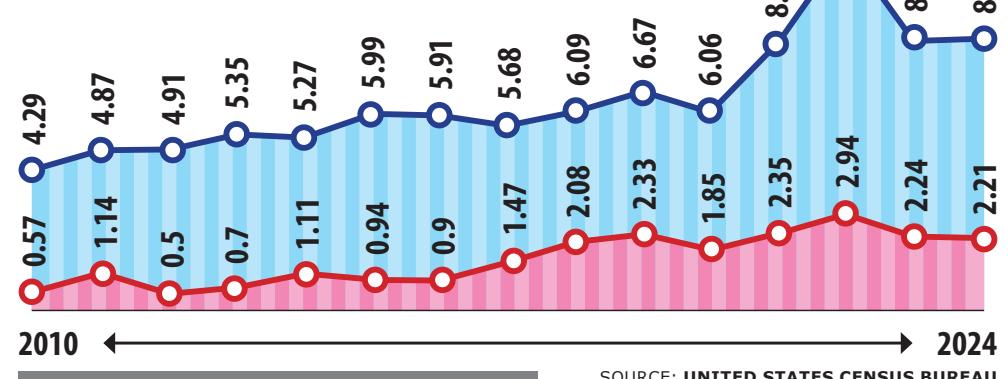


SOURCES: EPB AND OTEXA

## OVERALL TRADE WITH US

In billions of \$

EXPORT IMPORT



SOURCE: UNITED STATES CENSUS BUREAU

So, Bangladesh does not enjoy duty benefits on garment shipments to the US.

Although the US agreed to allow duty free benefit for 97 percent of goods originated in the least developed countries (LDCs), it kept Bangladeshi garment items in the remaining three percent.

Still, Bangladesh's apparel exports to the US reached \$1.5 billion during the January-February period of 2025, up 26.64 percent from \$1.18 billion year-on-year, according to the US Office of Textiles and Apparel (OTEXA), a wing of the US Department of Commerce.

In the same timeframe, the US' global apparel imports increased by 11.2 percent to \$13.55 billion.

During this time frame, the growth rates for apparel imports from other key countries stood at 8.85 percent for China, 25.70 percent for India, 23.05 percent for Pakistan, and 11.14 percent for Vietnam.

The US imported 23.38 percent more from Bangladesh, 7.25 percent more from Vietnam, 5.78 percent more from China, 31.90 percent more from India, 24.68 percent more from Pakistan compared to January-February 2024. The unit price per piece experienced a positive growth of 2.64 percent for Bangladesh.

There's a twist in the latest tariff shock, though.

China and Vietnam -- Bangladesh's top rivals -- got hit even harder.

If their goods become too expensive for American buyers, Bangladesh

#### GLOBAL PRICE WARS AHEAD?

With higher tariffs pushing China and Vietnam out of the US market, they may focus more on European and Asian markets, sparking fierce price wars. This could affect all major apparel suppliers, including Bangladesh, as global buyers push for lower prices.

If China, Vietnam, Bangladesh, India and Pakistan supply to the same markets, the international clothing retailers and brands will take the opportunity to seek price cuts from the local suppliers.

At the same time, US-based retailers, who pay the tariffs, are negotiating with suppliers in Bangladesh to share the added costs. This pressure could impact profitability for Bangladeshi manufacturers.

#### CURRENT US-BANGLADESH TRADE OUTLOOK

Historically, the balance of trade between Bangladesh and the US has been heavily tilted towards Bangladesh because of higher garment shipments to American markets, especially woven garments such as trousers and T-shirts.

Last year, Bangladesh exported goods worth \$8.36 billion to the US, up from \$8.27 billion in 2023, according to data from the United States Bureau of Census.

On the other hand, Bangladesh imported just \$2.21 billion worth of goods from the US in 2024, down from \$2.24

address the situation.

Chief Adviser to the interim government Professor Muhammad Yunus sent a letter to Trump seeking a pause for 90 days and Commerce Adviser Sh Bashir Uddin sent another letter to the United States Trade Representative (USTR), the chief trade negotiation body for the American government, offering duty-free benefit to another 100 American goods in addition to the 190 already privy to such benefits.

A team is scheduled to travel to the USA on April 21 to hold negotiations with the USTR for lowering the tariff rates for Bangladesh.

#### A WINDOW OF OPPORTUNITY?

Like other countries, Bangladesh has also been left to calculate whether this is an opportunity or a threat. So far, analyses show that while the tariffs pose challenges, they may also offer opportunities if Bangladesh plays its cards right.

For instance, China may lose a big market share due to the 145 percent tariff.

Bangladesh has a lot of skilled workforce, higher installed capacity, lower prices, lower production cost and lower tariff rates compared with China and Vietnam.

So, losing Chinese and Vietnamese competition could help Bangladesh gain market share -- if it acts strategically.

"It's an opportunity if we can play our cards right. It's a disaster if we don't engage in meaningful economic diplomacy," said

they are single-handedly wooing the Trump administration. So, it's about giving the right dose of attention to the US for being the single largest export destination for Bangladesh."

AK Azad, managing director of Ha-Meem Group which exports 90 percent of its products to the US, said Bangladesh should negotiate with the aim of gaining something positive from this game.

Bangladesh should offer a zero-duty rate on the import of American goods. If it does so, then the US may also offer zero-duty benefits on Bangladeshi imports. This will be a huge benefit for Bangladesh from this game, Azad said.

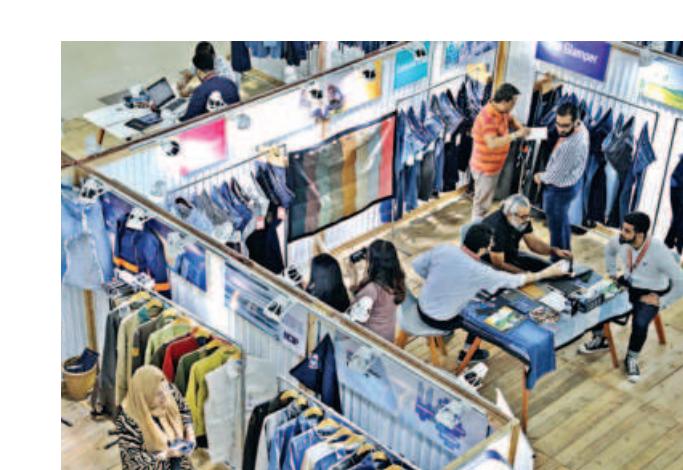
Mohammad Abdur Razzaque, chairman of Research and Policy Integration for Development (RAPID), said if the 145 percent tariff on China is finally fixed, it may present a window of opportunity for Bangladesh.

Since Vietnam has also been facing higher tariffs, the Chinese investment in Vietnam may also be affected. However, it is really difficult to say anything definite because Trump is unpredictable, Razzaque said.

At the same time, Bangladesh's supply side should also be increased and improved.

For instance, 75 percent of Chinese garments exported to the US are composed of man-made fibre-based items, but Bangladesh is not so strong in man-made garment items.

If Bangladesh does not invest more in backwards integration of the garment industry, the country may not benefit a lot from this tariff game, he added.



Simple: leverage.

Trump knows apparel-exporting nations depend on the US market. By squeezing them, he gains bargaining chips for future deals.

Interestingly, Trump doesn't prioritise mass production sectors like apparel due to their labour-intensive nature. Still, he imposed tariffs on apparel-producing countries like Bangladesh to gain leverage for future negotiations.

#### WHAT DOES THE HIGH TARIFF MEAN FOR BANGLADESH?

The US has long been Bangladesh's largest export destination, especially for garments, which account for over 90 percent of Bangladesh's exports to the US.

The US buys over \$8 billion a year



PHOTOS: STAR