

Why the trade agreement with the US is problematic



Kallol Mustafa
is an engineer and writer who focuses on power, energy, environment, and development economics. He can be reached at kallol.mustafa@yahoo.com.

KALLOL MUSTAFA

On February 9, the interim government signed a trade agreement with the United States, apparently to reduce reciprocal tariffs imposed by the United States and thus preserve Bangladesh's export market. However, no other South Asian country, subjected to US reciprocal tariffs, has signed such an agreement with the US so far. As a result, the signing of this agreement just three days before the national election by a temporary interim government, while maintaining strict secrecy, has raised concerns, especially over the inclusion of strategic national security and geopolitical conditions alongside tariff concessions.

Through this agreement, the US imposed reciprocal tariff on Bangladeshi exports has been reduced from 20 to 19 percent, which will be added to the existing average general tariff rate for entry into the US market—15.5 percent—bringing the total tariff burden on Bangladeshi products in the US market to 34.5 percent. The interim government has not disclosed the concessions Bangladesh must provide, but a contract released by the Office of the United States Trade Representative (USTR) shows that the country has been entangled in a wide range of conditions in exchange for a small tariff concession. This article will analyse those conditions to examine whether they serve Bangladesh's national interest.

Extensive tariff concessions for the United States

Under this agreement, Bangladesh will provide tariff concessions on 6,710 US products, while receiving reciprocal tariff concessions on 1,638 products. Among these, 4,500 products—including livestock, meat, fish, chemicals, textiles, machinery, and various industrial goods—from the US will enjoy duty-free access to Bangladesh from the very day the agreement comes into force. In addition, tariffs on 1,539 products will be reduced by half immediately after the agreement comes into effect. The remaining half will be reduced gradually to be completely duty-free over the next four years. Another 672 US products will get a similar duty-free advantage, but over nine years (Schedule I, Annex I). These massive tariff concessions may expose local agricultural and industrial products to competition from US goods and may also reduce government revenue from tariffs.

Removal of non-tariff barriers to US industrial exports

The agreement places strong emphasis on reducing non-tariff barriers to US exports. It states that Bangladesh cannot implement import licensing policies such that they hinder the import of US goods (Article 2.2, Section 2).

Previously, even if US industrial and medical products were approved in the United States, they had to undergo additional testing and marketing approval before being exported to Bangladesh. The US identified this as a non-tariff barrier and obtained Bangladesh's commitment to remove it (Annex III, Section I).

As a result, Bangladesh will have to make several concessions, including recognising US Food and Drug Administration (FDA) certification and prior marketing approval for medical equipment and pharmaceuticals (Article 1.1, Annex III); accepting vehicles

the US to enter Bangladesh without additional testing or labelling (Article 1.6, Annex III); and refraining from imposing import bans on poultry products from regions located more than 10 kilometres away from areas affected by avian influenza virus in the US (Article 1.8, Annex III).

This effectively means Bangladesh will lose the ability to ensure biosecurity in food and agricultural imports. Previously, US cotton had to undergo chemical pest treatment upon entering Bangladesh. That will no longer be possible. Controversial genetically modified products cannot be restricted under this deal, and Bangladesh cannot even require mandatory labelling, which may pose a threat to public health.

Mandatory import of costly US goods

Under the agreement, Bangladesh must purchase 14 aircraft from Boeing and US energy products, particularly liquefied natural gas (LNG), worth \$15 billion (approximately Tk 1.8 lakh crore) over the next 15 years. In addition, Bangladesh must purchase US agricultural products worth

must facilitate US investors in the extraction and export of mineral resources and provide US companies with equal opportunities in the power generation, telecommunications, transportation, and infrastructure sectors (Article 5.1, Section 5).

Additionally, Bangladesh will not be allowed to impose any limit on US capital investment in the oil, gas, insurance, and telecommunications sectors (Article 1.16, Annex III). The existing requirement for domestic and foreign private insurance companies to reinsure 50 percent of their business with the state-owned Sadharan Bima Corporation will not apply to US insurance companies (Article 1.15, Annex III).

US multinational corporations possess far greater financial and technological capabilities than domestic companies. Providing them with equal opportunities will harm local industries. It will also reduce sovereign control over these sectors. For example, despite domestic gas shortages, Bangladesh would still have to permit US companies to export gas.

months of the agreement taking effect, Bangladesh must submit detailed information on all types of subsidies to the World Trade Organization (Section 6, Annex III).

Incorporation into the US national security framework

The trade deal effectively ties Bangladesh to the US national security framework. Under the agreement, if the US adopts border or trade measures in the interest of national security, Bangladesh must adopt "complementary restrictive measures" in alignment with US policies (Article 4.1, Section 4).

Bangladesh must also comply with US export bans and take effective measures to prevent violations of US export control laws. This will prevent Bangladesh from maintaining neutrality in conflicts between major powers and will effectively force Bangladesh to align with US sanctions or trade wars.

Additionally, Bangladesh must adopt technologies in its ports, terminals, and logistics networks that prevent data leakage to third countries and restrict the use of software considered harmful to US national security (Article 1-5, Section 3, Annex III).

Restrictions on agreements and trade with third countries

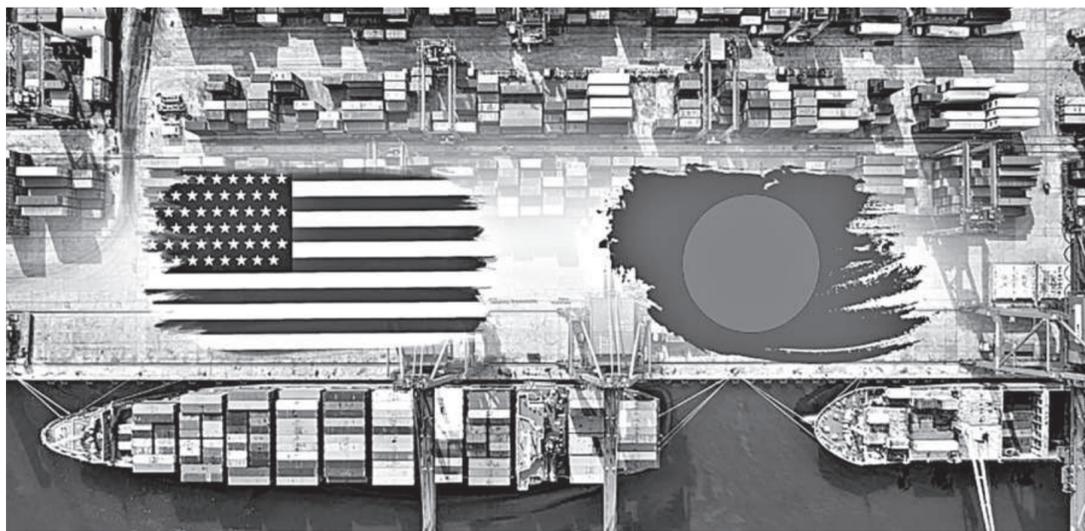
The agreement also includes provisions that may hinder Bangladesh's independent sovereign decision-making. It restricts Bangladesh from entering into any agreement or understanding with a third country that contains scientifically unsubstantiated, discriminatory, or biased technical standards that could harm US exports (Article 2.3 (3), Section 2).

Bangladesh will not be able to sign any digital trade agreement with another country that undermines US interests (Article 3.2, Section 3). Furthermore, if Bangladesh enters into any free trade or preferential economic agreement with a non-market based country (China and Russia, as considered by the US) that undermines this agreement, the US will be able to cancel it and reimpose punitive tariffs (Article 4.3 (4), Section 4).

To summarise, this so called trade agreement has effectively subordinated Bangladesh's sectors—from industry and agriculture to energy and infrastructure—to US commercial interests, establishing dominance over the country's economy, trade, and foreign policy. Bangladesh has been drawn into US geopolitical projects, and its ability to build relationships with third countries has been restricted.

This agreement is against the national interest and violates Bangladesh's independence and sovereignty. An agreement signed by a temporary interim government while keeping the nation in the dark cannot be considered legitimate. According to Article 6.6 of the agreement, it is supposed to come into effect 60 days after the completion of all legal processes. It is hoped that the newly elected government will take the initiative to cancel this agreement through discussion in the national parliament, as the deal runs contrary to national interests.

This is an abridged version of the article. Please visit our website to read the full version.



FILE VISUAL: STAR BUSINESS

manufactured according to US federal motor vehicle safety and emission standards (Article 1.2, Annex III); and removing any import bans or licensing requirements on US remanufactured products or components (Article 1.3, Annex III).

Bangladesh has also promised to reduce testing requirements for US agricultural and biotechnology products (Annex III, Section I). These commitments include recognising US sanitary and phytosanitary measures and other standards as alternatives to Bangladesh's own standards for US food and agricultural products (Article 1.4, Annex III); recognising the standards of the US Department of Agriculture (USDA) Food Safety and Inspection Service for meat, poultry, eggs, and similar products (Article 1.5, Annex III); formulating policies within 24 months of signing the agreement to allow biotechnology products recognised as safe in

\$3.5 billion (approximately Tk 42,000 crore). Furthermore, Bangladesh will have to increase the purchase of military equipment from the US while reducing purchases from other countries (Section 6, Annex III).

Traditionally, Bangladesh has imported limited quantities of US agricultural and energy products due to higher costs and longer delivery times. The new US deal prevents Bangladesh from importing these products at more competitive prices and faster delivery times from the international market. This will cause financial losses and may require subsidies or special incentives to private sector importers. Meanwhile, increased imports of military equipment from the US will raise both financial costs and geopolitical risks.

Granting US companies the same privileges as domestic firms

According to the agreement, Bangladesh

Restrictions on subsidies and protection for domestic industries

Developing economies often provide subsidies and incentives to domestic public and private institutions to overcome financial and technological limitations. Without such support, employment suffers and foreign dependency in strategic sectors increases. Under the agreement with the US, Bangladesh must refrain from providing non-commercial assistance or other subsidies to state-owned enterprises. Moreover, Bangladesh must disclose all subsidy and incentive information related to manufacturing organisations to the US and eliminate subsidies that distort market competition (Article 5.2, Section 5).

Bangladesh must also comply with WTO agreements on fisheries subsidies soon and control so-called "harmful subsidies" in the fisheries sector while reforming subsidy systems (Article 1.23, Annex III). Within six

Rural growth demands capital, not paper promises



Saba El Kabir
is a development practitioner and founder of Cultivera Limited. He can be reached at saba@cultivera.net.

SABA EL KABIR

In a small branch office of a bank in Kurigram, an elderly woman—let us call her Rahima Begum—waits in line. She holds a wad of cash wrapped in a handkerchief, the monthly remittance sent by her son in Malaysia. She is the ideal customer of Bangladesh's financial inclusion drive: banked, compliant, dependable.

Next to her sits her grandson. He is young, alert, and ambitious. He wants to buy a harvester. He has a business plan, local demand, and labour lined up. He is here to ask for the loan that will get him started.

When they reach the desk, the branch manager smiles at Rahima and accepts her deposit with practiced efficiency. But when he turns to the grandson, the smile fades. Money, it seems, is in short supply. The bank is happy to absorb the grandmother's deposit, but is unable to finance the grandson's potentially productive project.

Of course, the rejection letter was effectively drafted hundreds of miles away, inside a glass tower in the capital. There, a large industrial conglomerate has just defaulted on a thousand-crore taka business loan. The consequences ripple through the banking system. Regulators demand provisioning. Capital ratios tighten. Balance sheets bleed. Within days, a quiet instruction travels from the Motijheel head office to every rural branch: maximise deposits and halt new lending.

The city takes what it can. The villages bear what they must.

Make no mistake: rural Bangladesh is cash-rich and has become the net supplier of capital to the banking system. And yet, only drips of the banking system's credit reach rural Bangladesh.

Faced with this reality, rural communities behave rationally. They avoid investing in fixed assets such as tractors or harvesters because returns are crushed by inflated input costs, weak logistics and infrastructure, and the absence of affordable credit. In a system where any rise in income is quickly offset by the high cost of living, rents, finance and power structures, long-term investment in productivity becomes a losing proposition rather than an opportunity.

Evaluating a Tk 50,000 loan for a farmer requires nearly the same (if not more) regulatory paperwork, compliance checks, and staff time as a Tk 50 crore loan for an industrialist. This asymmetry in cost structures makes small-ticket lending economically untenable for head-office credit risk management teams.

The standard defence is that rural lending is inherently risky. But the banking system's largest defaults are not rural; they are corporate. The government has attempted to counter these dynamics through ambitious agricultural credit targets. For the 2025 to 2026 fiscal year, Bangladesh Bank set a target

of Tk 39,000 crore. The headline number sounds transformative. The composition is not. Nearly half of agricultural credit is issued as short-term crop loans to buy fertilisers, pesticides, irrigation, seeds etc, while loans for irrigation and heavy machinery are capped at about two percent.

Much of the remaining credit is absorbed by revolving working capital, repeat crop

does not compound it. Even as agricultural credit hit record levels, real wages in rural Bangladesh continued to erode as inflation outpaced earnings.

If this capital starvation persists, the consequence will not merely be lower yields. It will be the long-run exit of rural youth from agriculture, eroding the labour base required to sustain national food security.

None of this is structurally inevitable. Peer

and value chain activities. A significant share of bank lending supports agri exports and rural production, reflecting targeted financial support for strategic sectors.

Bangladesh remains bound to an analogue collateral regime. Landlessness is not marginal in rural Bangladesh; it is structural. More than half of rural households do not own land, and a large share of farm households cultivate plots they do not control. Without a title to pledge, many producers are structurally excluded from collateral-based lending. Credit access data reflect this reality. Collateral requirements and high transaction costs often restrict small and marginal farmers from accessing formal agricultural finance from state banks.

Access to bank accounts alone will not fix this problem. What is missing is structural discipline. District-level loan-to-deposit rules would be a credible start. If a bank collects Tk 100 crore from Cumilla, it should be required to lend a meaningful share back into the district. Geographic lending discipline does not eliminate risk; it prevents rural savings from underwriting urban balance-sheet stress.

Critically, the financial system must work toward recognising alternative credit data, including harvest records, warehouse receipts, and verified digital transaction histories. Capital must follow production, not paperwork. High-potential crowdfunding platforms, currently operating in a policy vacuum, should be brought under clear regulatory rules so they can earn public trust and scale responsibly.

The story of financial inclusion has become a narrative to console, a way to signal progress while avoiding a redressing of financial power. This arrangement may stabilise balance sheets of banks in Dhaka today, but it mortgages the country's future.

The village does not need more accounts. It needs its capital back.



FILE ILLUSTRATION: BIPOB CHAKROBORTY

lending, and institutionally convenient borrowers. State-subsidised funds often reach farmers only after passing through layers of financial markup, making asset accumulation technically possible but practically difficult.

The result is a cycle of subsistence financing. Money goes into the soil, the crop is harvested, the loan is repaid, and the farmer returns to zero. This is operational spending, not capital formation. It sustains output but

economies have addressed similar constraints through different institutional choices. In Kenya, digital lenders rely on mobile money transaction histories and related digital footprints to assess creditworthiness. Structured instruments such as warehouse receipt financing allow stored produce to be pledged as collateral. Vietnam's banking system has also developed mechanisms to channel credit toward productive agricultural