

# Rethinking the US-Bangladesh trade deal following the legal blow



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Views expressed in the article are the author's own.

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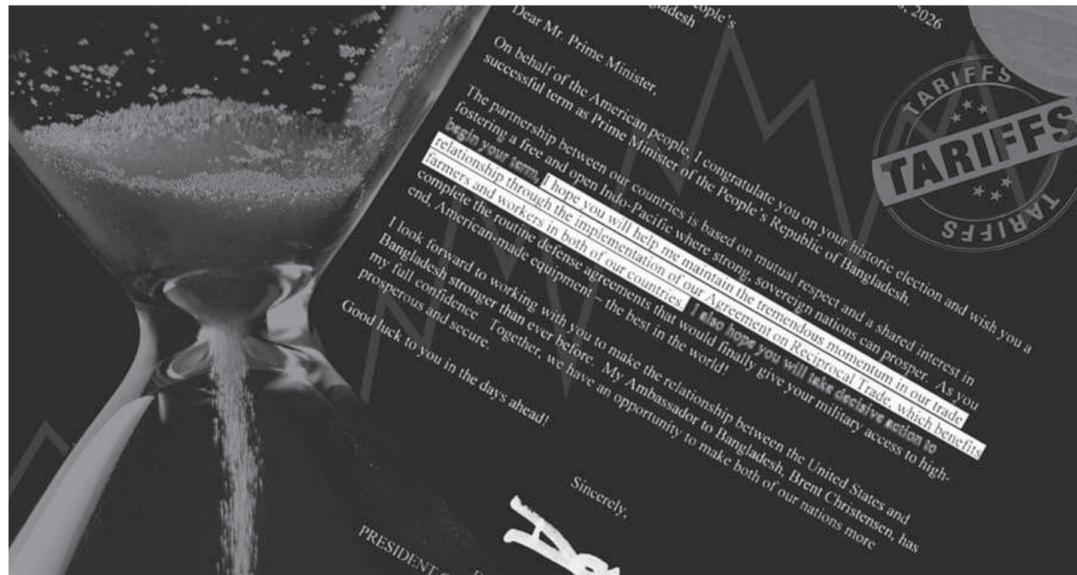
On February 18, a White House congratulatory letter sent to Prime Minister Tarique Rahman urged Dhaka to “maintain the tremendous momentum” in implementing the recently signed Agreement on Reciprocal Trade and to take “decisive action” on pending defense agreements. The message was unmistakable: trade access is being bundled with security alignment. The published text of the trade deal confirms exactly that.

For weeks beforehand, Bangladeshis were told to wait while a deal with the United States was being negotiated under non-disclosure agreements. Now that the text is public, secrecy makes sense: this is not a deal most informed citizens would have endorsed. What has been signed amounts to a comprehensive constraint on Bangladesh's economic sovereignty. The US gets binding commitments across trade regulation, digital policy, agricultural standards, procurement, and security alignment. Bangladesh, by contrast, gets conditional tariff relief—conditional on compliance as judged unilaterally by Washington and backed by the threat of tariff reimposition.

The interim government rushed to finalise this deal just before the election, locking in long term commitments it will neither implement nor publicly defend. That is not just bad governance; it borders on being immoral. One does not bind future elected governments to restrictive obligations when one will not be there to bear the consequences.

The interim government signed the deal as if the world were still unipolar. It is not. China is Bangladesh's largest trading partner. India shares a border and deep economic ties with us. The Gulf, ASEAN, Japan, South Korea, and Europe all represent critical economic relationships. Yet this agreement requires Bangladesh to align its export controls with US policy, mirror the latter's security-related trade actions, and potentially distance Dhaka from economic partners Washington considers threats. The clause obliging Bangladesh to “adopt or maintain a complementary restrictive measure” in support of US security actions imports US geopolitical conflicts into Bangladesh's trade policy.

In a multipolar world, small and medium powers survive by maintaining balance.



VISUAL: AFIA JAHIN

Vietnam trades with all major blocs. Indonesia hedges carefully. Even US allies like Singapore and South Korea carefully preserve economic ties with China while maintaining security relationships with Washington.

This agreement, as it stands, goes beyond controlling what Bangladesh does; it constrains what deals Bangladesh may make with other countries. Dhaka may not, for instance, sign agreements that use technical standards deemed “incompatible” with US standards, including health and safety measures that “disadvantage U.S. exports” or which Washington simply disfavours. Want a free trade agreement with China? The US can view it as engagement with a “non market country” and reimpose higher tariffs. Want to buy nuclear reactors from Russia or China for power generation? Prohibited. Want digital economy partnerships with countries the US considers rivals? Grounds for agreement

termination. Thus, the United States has virtually granted itself de facto control over Bangladesh's economic relationships with the wider world. The agreement does, however, offer one significant benefit: Bangladeshi garments made with US cotton and man-made fibre would get zero tariffs in the US market. This could give Bangladesh's garment sector a competitive edge.

That is the logic of extraterritorial sanctions, diplomatically softened but unmistakable. Bangladesh must also “support multilateral adoption of a permanent moratorium” on customs duties on electronic transmissions at the WTO—an unresolved and contested issue with real revenue stakes for developing countries. The agreement also requires Bangladesh to accept the WTO Fisheries Subsidies Agreement—that prohibits harmful

farmer concerns, and regulatory credibility. Bangladesh is being locked into a permissive regime that could trigger public backlash. The deal also becomes a procurement ledger: US aircraft, LNG, agricultural products—down to specific values. The shopping list includes 25 Boeing aircraft for Bangladesh Biman (14 firm orders plus options). When a loss-making state carrier faces fiscal pressure and dwindling reserves, embedding aircraft “purchase facilitation” into a trade agreement is not sound policy. It is external compulsion.

Finally, a word about the recent US Supreme Court ruling that has struck down President Donald Trump's global tariffs as illegal. As per its February 20 judgment, the court did not dismantle the Bangladesh-US “reciprocal trade” framework, but it did punch a hole through its tariff architecture. Key US concessions had been tied to tariff orders issued under the International Emergency Economic Powers Act (IEEPA), and once that legal foundation fell, the deal's tariff promises—including lower rates and any special treatment for textiles and apparel—have become legally precarious unless reissued under a valid statutory basis.

Trump's subsequent response indicates that he may not relent despite legal hurdles. Rather than retreating, he has pivoted to Section 122 of the Trade Act of 1974, first imposing a 10 percent across-the-board tariff and then raising it to 15 percent—the statutory ceiling for 150 days without congressional approval—while keeping several other clauses of US trade-related laws in reserve as further fallback options.

So, the pressure is not going away; the legal ground is simply shifting. But Dhaka should read this moment as an opportunity, a chance to renegotiate from a stronger hand and secure terms that are clearer, more equitable, and more durable.

It must insist on at least five changes. First, replace unilateral tariff snapbacks with a neutral dispute-resolution process built on objective benchmarks and proportional remedies. Second, remove automatic “complementary” security restrictions and confine any export-control alignment to clearly defined, evidence-based threats—not blanket coordination. Third, reopen the biotech provisions so Bangladesh retains the right to conduct independent reviews and apply labelling rules consistent with public preferences and a rigorous, evidence-based safety review process. Fourth, delete the procurement “shopping lists” and ensure any purchases are strictly commercial, competitive, and fiscally sustainable. And fifth, end any pre-commitment of Bangladesh's WTO positions on contested digital issues, including the moratorium on customs duties on electronic transmissions.

The problem is that the agreement does not specify the extent to which this zero tariff will be applicable. There is a promise of a “mechanism” that will determine volume “in relation to” the amount of US textile input Bangladesh imports, but the details are not set. Bangladesh thus commits to binding obligations across multiple sectors in exchange for a tariff benefit whose actual scope remains undetermined.

The US also retains the right to impose additional tariffs for “unfair trade,” import surges, or “economic or national security” concerns. If Bangladesh fails to comply—as determined by Washington—the US can reimpose the reciprocal tariff rate (the 37 percent tariff proposed on April 2, 2025) on top of normal most-favoured-nation (MFN) tariffs on certain or all Bangladeshi imports. Besides, Bangladesh must “harmonize” with US controls and ensure Bangladeshi firms do not “backfill” gaps created by US restrictions.

government subsidies that drive illegal, unreported, and unregulated (IUU) fishing, overfished stocks, and unsustainable fishing in unregulated high seas—notwithstanding Article 12,” the very clause that grants developing countries flexibility. In other words, Bangladesh would be asked to accept the deal without the exemptions developing countries are normally entitled to. Finally, Bangladesh must submit to the WTO, within six months, a complete list of all subsidies it provides. Transparency is not the problem, but when disclosure is demanded under threat of tariffs, it stops being cooperative and starts looking like coercion.

Within 24 months of the deal taking effect, Dhaka must allow any agricultural biotech product legally sold in the US to be imported and marketed in Bangladesh without any independent Bangladeshi pre-market review, approvals, or additional labelling. In South Asia, GMO politics involves consumer trust,

## ‘Negotiated’ extortion is still extortion



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A recent remark by a government minister—that a mutually agreed or negotiated transaction is not extortion—cannot be seen as a casual misuse of words. Although the minister was talking about the transport sector, the logic could as easily be applied to any other sector, and as such, it can be seen as an attempt to redefine the nature of the state. When official language sanitises extortion or corruption, the rule of law is placed on the negotiating table.

True, at first hearing, such a claim may sound reasonable. If both sides of a “transaction” agree, where is the coercion? This argument borrows the vocabulary of markets but removes the institutional conditions that make markets legitimate. In doing so, it confuses a transaction with a distortion.

Consider an ordinary citizen seeking a passport, a hospital bed, a utility connection,

police assistance, or a business licence. The law already grants these as rights, subject to clear rules. But in reality, the process often stalls: a file does not move, a signature does not appear, a bed is suddenly unavailable, or an inspection is delayed. A “mutual understanding” at this juncture, followed by extra payment (read: bribe), could expedite the delivery or resumption of services, but would this be a voluntary exchange?

The service seeker, it should be pointed out, did not enter a negotiation as an equal party. One side of the deal controlled time, approval, and enforcement, while the other faced delay, denial, or exclusion. What is presented as reciprocity is actually a price imposed on vulnerability. Calling such an exchange “mutual” would be analytically no different from calling a ransom a market transaction.

In economics, a voluntary exchange takes

place within a framework of rights, rules, and enforceable contracts. A price is legitimate because the state guarantees that access does not depend on personal discretion. A bribe is paid precisely because the rule-based system has been suspended. It is a payment to bypass or manipulate a process that should operate automatically. The critical question here is not whether two individuals agree. The real question is: why would the payment be necessary in the first place?

From the standpoint of political economy, the answer is clear. The official who can delay an approval creates an artificial scarcity and then sells the relief from that scarcity. Nothing is produced here; income is merely transferred. This is the textbook definition of rent-seeking. Once such practices become normal, the structure of the economy changes. Investment flows not to the most efficient firms but to the most connected. Credit is allocated not by risk but by influence. Public projects are valued not for their social return but for their commission potential. Growth slows not because resources are scarce but because institutions are not credible.

The minister's argument is therefore not only economically flawed but also constitutionally dangerous. It converts rights into commodities.

In a republic, a public office is a source of trust. The citizen pays taxes so that services

are delivered impersonally. A bribe or “mutually negotiated” transaction is a second, privatised payment for the same right. To legitimise this as a negotiated exchange is to legitimise the sale of sovereignty in small administrative instalments.

Game theory explains why citizens still participate. They are not choosing between paying and not paying; they are choosing between paying and losing. In a system where officials cannot be credibly punished, and services cannot be obtained by rules, compliance becomes the rational survival strategy. What is described as “mutual” is therefore the behavioural outcome of a coercive structure.

The most damaging effect of such a statement lies in the signal it sends. When a private citizen pays, it is often an act of compulsion within a broken system. When a public official justifies the payment, it becomes an institutional endorsement. It tells the bureaucracy that extraction or extortion is acceptable. It tells citizens that integrity is irrational. It tells investors that formal rules are irrelevant. That is how adverse selection enters governance: the honest withdraw and the connected advance.

Beyond the immediate economic drain, the “negotiation” model inflicts a deeper wound on the social contract. High-performing societies rely on generalised trust, the belief

that the system works the same for everyone. When a state official validates bribery as a mutual transaction, they signal the death of this trust. The individual no longer looks to the law for protection but to a patron for a favour. The result is a low-trust trap where the machinery of the state turns only because it is being “greased” by those it was built to serve.

No country has achieved sustained development by redefining corruption as consensual exchange. Rebranding a bribe as a negotiated payment does not change its nature. A tax is legal because it is authorised by law and enters the public treasury. A fee is legal because it is publicly notified and uniformly applied. A bribe is illegal because it converts public authority into private income. No amount of semantic innovation can erase that distinction.

At its core, the minister's argument asks the country to accept a transformation from a rights-based state to a bargaining-based state. But a state in which citizens must negotiate for what the law guarantees is not a republic. It is a marketplace of power.

A bribe is not defined by the presence of agreement. It is defined by the abuse of public authority. When the powerholder sells what the law requires him to provide, the transaction is neither mutual nor voluntary. It is corruption—economically, institutionally, and constitutionally.

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ACROSS

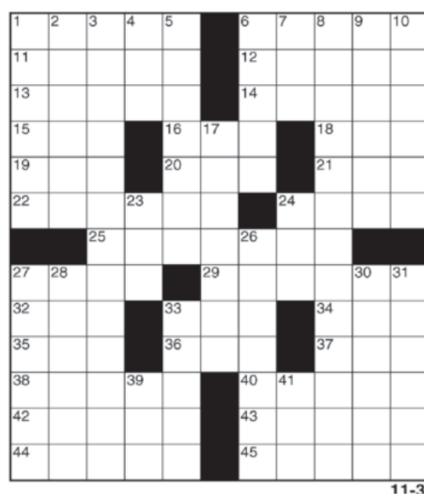
- 1 “Over There!” writer
- 6 Longed
- 11 Sports spot
- 12 Squalid
- 13 Pub orders
- 14 Bold poker bet
- 15 “favor”
- 16 Pewter component
- 18 Pilot's guess: Abbr.
- 19 English cathedral city
- 20 One-million link
- 21 de plume
- 22 Fill up the tank
- 24 Bushy do
- 25 Tel Aviv native
- 27 Out of the wind

DOWN

- 1 Big finale
- 2 Meadowlark's cousin
- 3 “Tom Jones” author
- 4 Tiny worker
- 29 Censors
- 32 Twisty fish
- 33 Singer Reed
- 34 Dealer's place
- 35 “Far out, dude!”
- 36 Form 1040 org.
- 37 Twosome
- 38 Nepali, e.g.
- 40 Bold way to solve crosswords
- 42 Keyed up
- 43 Singer Gill
- 44 Painter Degas
- 45 Raring to go

5 Less civil

- 6 Yoga pose
- 7 Animation unit
- 8 “Bridget Jones's Diary” author
- 9 Book worker
- 10 Energetic person
- 17 About to be a mother
- 23 Try out
- 24 Pub order
- 26 Hard to catch
- 27 Give fizz to
- 28 Not owned
- 30 Spring
- 31 Steamship worker
- 33 Cruise ship
- 39 Simile center
- 41 Long of “Soul Food”



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