CURRENT EVENT ANALYSIS

Tariffs, Power, and the Price of Prosperity

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On April 2, 2025, U.S. President Donald Trump unveiled a new tariff regime on imports to the United States, one of the most expansive in modern history. Framing it as a response to “unfair” foreign trade practices and large U.S. trade deficits, Trump declared a **national emergency** under the International Emergency Economic Powers Act to justify these tariffs. The policy introduced a **baseline 10% tariff on all imports from all countries**, with **higher “reciprocal” rates** on dozens of specific trading partners that run large trade surpluses with the U.S. These measures, nicknamed **“Tariff Liberation Day”** by the White House, marked a dramatic escalation of U.S. protectionism and set off volatility in global markets.

A 10% blanket on imports, spared few. From German sedans to Bangladeshi t-shirts, the global assembly line was rattled. Bangladesh, whose RMG exports now face a substantial 37% tariff, joins Sri Lanka (44%) and Vietnam (46%) among the hardest hit, while India quietly gains ground at a lower 26% and Turkey at 10%. While tech giants like Apple secured exemptions, apparel workers across South Asia face immediate consequences. In a move that added fuel to the fire, President Trump on April 9 announced a 90-day pause for most countries affected by higher U.S. tariffs—except for China, whose tariffs were hiked dramatically to 145%, in response, China raised tariffs on US products to 125%. In theory, this was about fairness. In practice, it was selective fire. Energy imports were strategically exempted to protect U.S. industry, and high-end electronics dodged the blow to avoid Wall Street panic. But for export-reliant economies like Bangladesh, there were no such reprieves. Factories worry not just about lost orders but whether this signals a new age of protectionism dressed in patriotic flair.

The Logic and the Layers: Behind the Tariffs

Trump’s speech appealed to populist sentiment—declaring a $6 trillion investment wave, touting an 88% stock market surge, and labeling the day of tariff hikes as "Liberation Day." He asserted that other nations had “gotten rich at our expense," citing a $1.2 trillion trade deficit and the loss of 90,000 factories since NAFTA (North American Free Trade Agreement). While bold, many of these claims appear to lack clear public verification. Trade deficits are not necessarily indicators of unfair practices; rather, they often reflect a strong dollar and global confidence in U.S. financial markets. Factory job losses have been attributed more to automation than to foreign competition. Similarly, the $6 trillion investment projection lacks transparent substantiation.

The U.S. runs persistent deficits not because of weakness, but because of its central position in global finance. The dollar remains the world’s reserve currency, U.S. Treasury bonds are in constant demand,

and global markets benchmark themselves against American financial stability. Foreign ownership of over $25 trillion in U.S. assets is less an indication of exploitation and more a testament to international trust. Countries are not fleeing the U.S. economy—they are racing to preserve their reserves within it. In this context, framing America as a victim of global trade overlooks the significant advantages the U.S. continues to enjoy as the anchor of global capital flows.

Trump frames his tariffs as “reciprocal” efforts to level the field against trading partners that, in his words, have "cheated" the U.S. for decades. He highlights India’s 50–70% tariffs and Europe’s 10% duty on cars compared to America's 2.5%, casting his 10–37% duties as corrective measures. Yet behind these slogans lie layered strategic motives: using tariffs to pressure allies, extract concessions, and accelerate economic decoupling from China. While sectors like consumer technology were shielded to avoid public backlash, export-reliant economies such as Bangladesh, Sri Lanka, and Vietnam have borne the brunt of these actions. These tariffs function not only as trade instruments but also as strategic bargaining tools and diplomatic pressure mechanisms.

In summary, **U.S. Government’s broader strategy appears twofold:** to reshape global trade relationships through assertive economic measures and to reinforce domestic political narratives. The tariffs are not solely about immediate economic balancing; they also serve as leverage to secure broader concessions, project U.S. dominance, and advance strategic decoupling from global rivals.

Bangladesh at the Fault Line: Trade Shocks, Global Shifts, and the Stakes Ahead

Bangladesh relies on the U.S. for nearly 18% of its total exports, yet accounts for less than 1% of America’s overall imports—a stark mismatch in influence with a trade deficit at $6.2 billion. The recent tariff spike has already triggered a 15–20% drop in orders, putting the livelihoods of 4 million workers—mostly women—on shaky ground. Bangladesh’s readymade garment (RMG) sector, already stretched thin under rising compliance costs and low-margin contracts, now finds itself dangerously exposed. A 37% tariff hike by its largest apparel buyer, the U.S., threatens to unravel decades of export-led growth.

Compounding the shock is the reality that Bangladesh’s biggest competitors **fall into two distinct camps:** low-cost producers like Vietnam and Sri Lanka, and high-value exporters like India and Turkey. The first group shares Bangladesh’s low-wage model but now benefits from more proactive trade diplomacy; the second group has moved up the value chain, securing premium contracts for coats, suits, and formalwear, segments Bangladesh has largely missed.

US Tariff on Bangladesh
37% Tariff
18% Export Share to U.S.
4 million workers with Job Threat
15–20% order dropped after new tariff
$6.2B trade deficit
<1% share on US Import

Source: Visual Created by CES, ULAB

Bangladesh’s challenge remains structural: strong in production capacity, but less positioned in branding and high-end design. It exports labor, not design. And with over 4 million jobs on the line, mostly held by women, the economic and social consequences are severe. Already, order volumes from U.S. buyers are shifting to India, where the tariff rate is lower (26%), and to countries like Turkey, where high-end manufacturing capacity and EU-aligned standards offer an edge.

Meanwhile, global responses to the U.S. tariffs further complicate the landscape. China, instead of conceding, is doubling down, retaliating with tariffs, accelerating regional trade with ASEAN, and partnering with countries like Spain on battery and green tech manufacturing. If the EU drifts closer to

China, as recent signals from Brussels and Madrid suggest, Beijing's influence in Asia could rise dramatically, pressuring Bangladesh to pick economic sides more decisively than ever.

Recent warnings from economists, including Ray Dalio, point to severe global economic risks. For Bangladesh, recession could mean a foreign exchange crisis. Depression might mean a generation of women pushed out of formal employment. The time to act is now.

Smart Diplomacy, Not Panic: What Bangladesh Must Put on the Table

While labor law reforms and ESG alignment under frameworks like TICFA (Trade and Investment Cooperation Forum Agreement) enhance Bangladesh's global positioning, these measures alone may not fully address the immediate economic rebalancing priorities of the current U.S. administration. Emerging signals suggest that the U.S. approach favors visible trade rebalancing and strategic economic wins. Bangladesh must therefore complement its compliance efforts with proposals that demonstrate tangible mutual benefits.

It is important to recognize that while expanding ties with the U.S. offers significant opportunities, over-alignment could create strategic vulnerabilities. India, for instance, has moved quickly toward a $500 billion trade goal with the U.S., while Bangladesh must balance emerging opportunities with the realities of its close economic interdependence with China. Careful calibration will be key. Nonetheless, Bangladesh retains significant leverage if it engages strategically and pragmatically.

- **Engage Selectively.** We can agree to import select U.S. goods, like high-tech agriculture tools, digital infrastructure components, and even military-grade communication systems where appropriate that genuinely benefit us. It must be on terms that position Bangladesh as a manufacturing hub for solar, battery or circular fashion materials, jointly developed with U.S. firms.
- **Leverage Digital Partnerships with Starlink** can be framed as a big win—digital infrastructure, rural access, disaster readiness. However, strategic autonomy must remain a guiding principle in leveraging these partnerships.
- **Facilitate Entry of U.S. Firms**, strategically. There's no shame in admitting we rely on others for high-value machinery. But instead of staying dependent, let's invite U.S. manufacturers into our SEZs, on our terms. And while we're at it, the same offer should go to European and Asian partners.
- **Make trade gestures that don't tie our hands**. Buying U.S. LNG or cotton could give Trump something to gloat about. Fine. But let's do the same with China, the EU, and others. We need a balanced plate, not a single dish.
- **Don't choose sides—choose stability.** We need China in our corner just as much as we need access to the U.S. market. Reducing overdependence on any single country, be it China for raw materials or the U.S. for market access makes sense, but not at the cost of alienating vital partners. This is not about loyalty, it's about survival.
- **A tailored tariff exemption** for Bangladesh's RMG sector; tied to compliance upgrades, worker protections, and digital transparency.
- **Investment incentives**: welcoming U.S. investors in SEZs with tax relief, thereby increasing FDI inflow and lessening the trade surplus organically.

In a fragmented world of tariff walls and fractured alliances, Bangladesh must tread smart. **Not silent. Not defensive. Smart. And quick.**

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