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Donald Trump's Tariff and Implications for Bangladesh

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EXECUTIVE SUMMARY

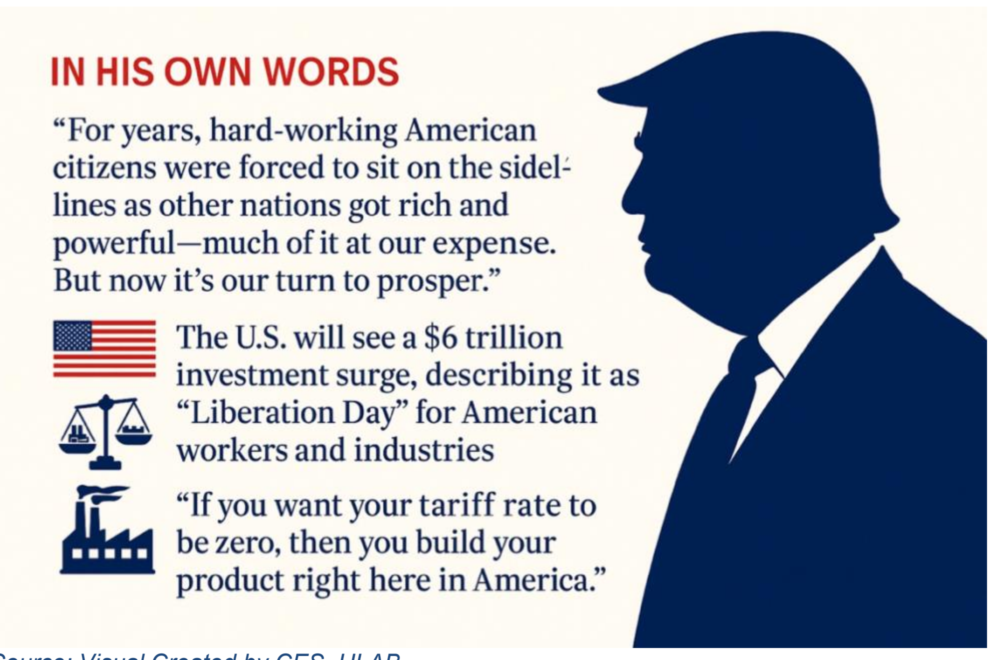
On April 2, 2025, the U.S. government introduced a major new tariff policy, placing a flat 10% import tax on all incoming goods and significantly higher reciprocal tariffs on countries running large trade surpluses with the U.S. While officially framed as a step toward fairer trade, experts believe this move is also about reinforcing economic leverage.

For Bangladesh, this change hits the ready-made garment (RMG) sector, especially hard. The U.S is the destination of 18.72% of Bangladesh's total garments export. This is also a sector worth approximately $8 billion in trade and supports the livelihoods of around 4 million workers-now facing an unprecedented 37% tariff increase.

This article unpacks Bangladesh's vulnerabilities under the new U.S. tariff policy, traces the political and economic forces behind the shift, and outlines practical strategies to reduce exposure, renegotiate trade terms, and rethink our approach to economic diplomacy.

Context: What Triggered the Tariff Surge

The announcement by U.S. President Donald Trump came under the narrative of "reciprocal tariffs", matching what other countries charge the U.S. According to the Trump administration, the U.S. trade deficit had reached $1.2 trillion, and the country had lost 90,000 factories, citing the North American Free Trade Agreement (NAFTA) of 1994 as a major turning point. The administration also highlighted foreign ownership of over $25 trillion in American assets as indicative of broader economic vulnerabilities (Kirchgaessner, 2025).



Source: Visual Created by CES, ULAB

Political vs. Economic Reality

However, independent analyses suggest that certain aspects of the framing diverge from broader economic evidence. Claims of a $6 trillion investment boom are politically appealing but lack verification (TASS, 2025). Let's explore the reality below:

- Trade deficits do not necessarily indicate exploitation. They often reflect high capital inflows into the U.S., where global investors seek the dollar as a safe haven.
- Much of the U.S. factory job loss stems from automation, not trade.
- Claims of a $6 trillion investment wave have no clear foundation and serve more as political narrative than economic forecasting.

The Dollar, Debt, and Global Investment

The U.S. remains the world's top destination. Trump's rhetoric of exploitation masks the fact that the global economy remains structured around U.S. strength, not its victimhood.

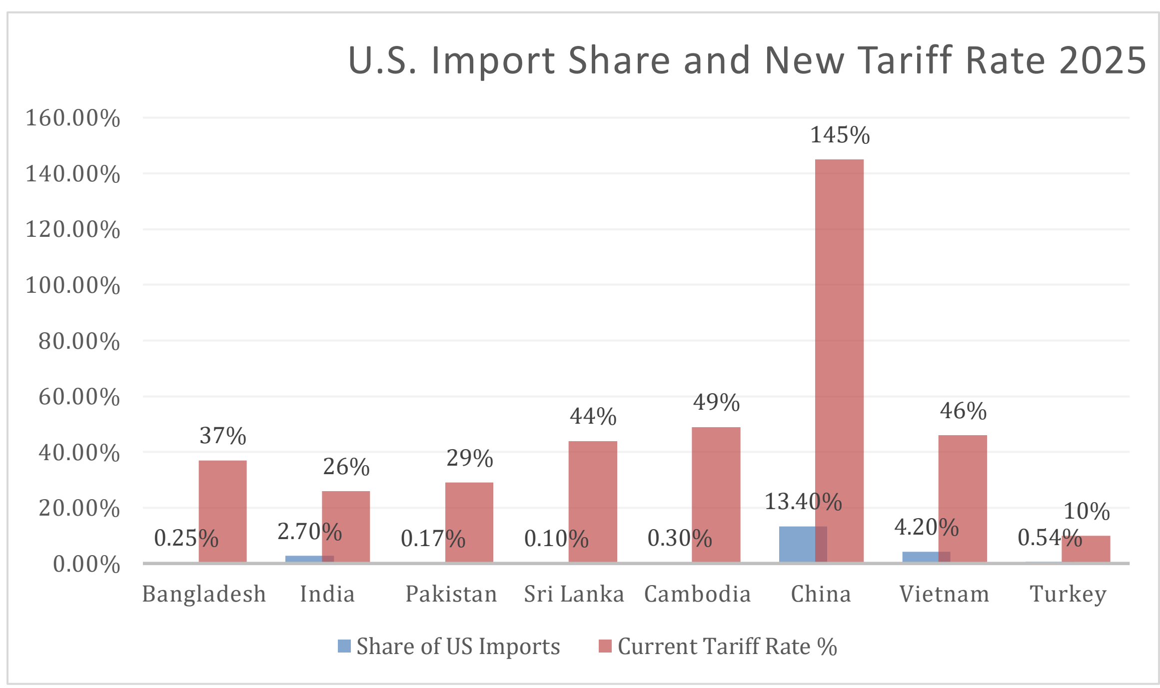
- The U.S. attracts capital because of its stability, not because it is being exploited.
- Countries like Bangladesh hold U.S. dollar reserves and invest in Treasury bonds—a sign of confidence, not coercion.

- Foreign ownership of U.S. assets reflects global demand for American safety and liquidity, not a structural imbalance.

U.S. Tariff 2025

The new policy set a baseline 10% tariff on all imports, with much higher rates on countries deemed to have unfair trade advantages. For Bangladesh, this translated into a 37% tariff which will impact extraordinarily on RMG exports to the U.S., its largest export destination. Other countries were hit with even steeper rates. Sri Lanka's apparel exports face a 44% tariff, and Vietnam saw a 46% tariff and India received a relatively favorable 26%. While China was slapped with an extraordinary 145% tariff on electronics and apparel combined (BBC Visual Journalism Team, 2025), President Trump recently signaled a softer approach, saying he "won't play hardball" with China. The final tariff rates may end up lower or more targeted, and full implementation remains uncertain. Turkey, although not specifically listed, has long been treated as a high-value apparel producer and continues to benefit from its diversified trade positioning with 10% tariff rate. As depicted in Figure 1, countries such as China (holding 13.4% of U.S. import Share), Vietnam (4.2%), and India (2.7%) maintain significant trade surpluses with the United States. Bangladesh makes up just 0.25% of U.S. imports and imposes a 74% tariff on U.S. goods, so it's now facing a 37% tariff. This approach reflects Washington's intention to rebalance trade flows, irrespective of countries' relative size in the U.S. market.

Figure 1 U.S. Import Share and New Tariff Rate 2025



Source: USTR 2025 and Media Reports

Post Tariff Global Reactions: Retaliation and Realignment in Financial, Trade, and Investment

Post-tariff, U.S. bond yields spiked and global equities fell sharply Investment in export-oriented economies declined, with venture capital shifting toward digital and localized markets Ray Dalio has warned of a potential depression-like phase if protectionism persists.

It also promoted J.P. Morgan Research (2025) to revise its economic outlook. The firm now projects a 0.2 percentage point drop in U.S. GDP, bringing the expected annual growth rate down to 1.3%. Inflation is also expected to edge higher—PCE inflation is forecast to hit 2.7% in 2025, while core PCE inflation is projected to rise to 3.1%, marking a 0.3-point increase.

IMPACT OF U.S. TARIFFS

U.S. tariffs are estimated to increase consumer prices by **2 percent**

0.2 percentage point drop in U.S. GDP forecasted

Global recession forecast increased to **40%**

Source: Visual Created by CES, ULAB

Meanwhile, real GDP growth has been adjusted down to 1.6%, shaving 0.3 percentage points off earlier estimates. Perhaps most concerning: J.P. Morgan now places the odds of a global recession at 40%, up from 30% at the start of the year (J.P. Morgan, 2025).

The IMF has echoed these concerns, warning that a blanket 10% tariff hike by the U.S.—especially if met with retaliation from the eurozone and China—could knock 1% off U.S. GDP and shrink global GDP by around 0.5% by 2026.

While these global projections capture broader risks, Bangladesh faces specific vulnerabilities tied to its concentrated export profile.

Global Reactions to U.S. Tariffs

China

- Responded with tariff hikes up to 125% on U.S. goods
- Filed complaints with the WTO and added U.S. companies to a regulatory "unreliable entities" list
- Accelerated trade with ASEAN, expanded Belt and Road, and strengthened ties with EU
- China's Ministry of Commerce noted continued retialiation would only result in halted trade, lagiling further hikes "a numbers game"

European Union

- Initially condemned the fariffs but chose negotiation over retallation
- Paused countermeasures for 90 days to pursue a deal
- Open to discussions on lowering car tariffs and adjusting digital tax policies

United Kingdom

- Maintained baseline tariffs and avoided escalation
- Engaged in diplomacy to revive post-Brexit U.S–UK trade deal talks
- Acted in quiet coordination with Commonwealth nations, advocating for moderate trade terms

Other Nations

- Vietnam immediately began ETA talks with the U.S. to protect its export base
- Sri Lanka and Bangladesh sought consultations to avoid long-term penalties

Source: Visual Created by CES, ULAB

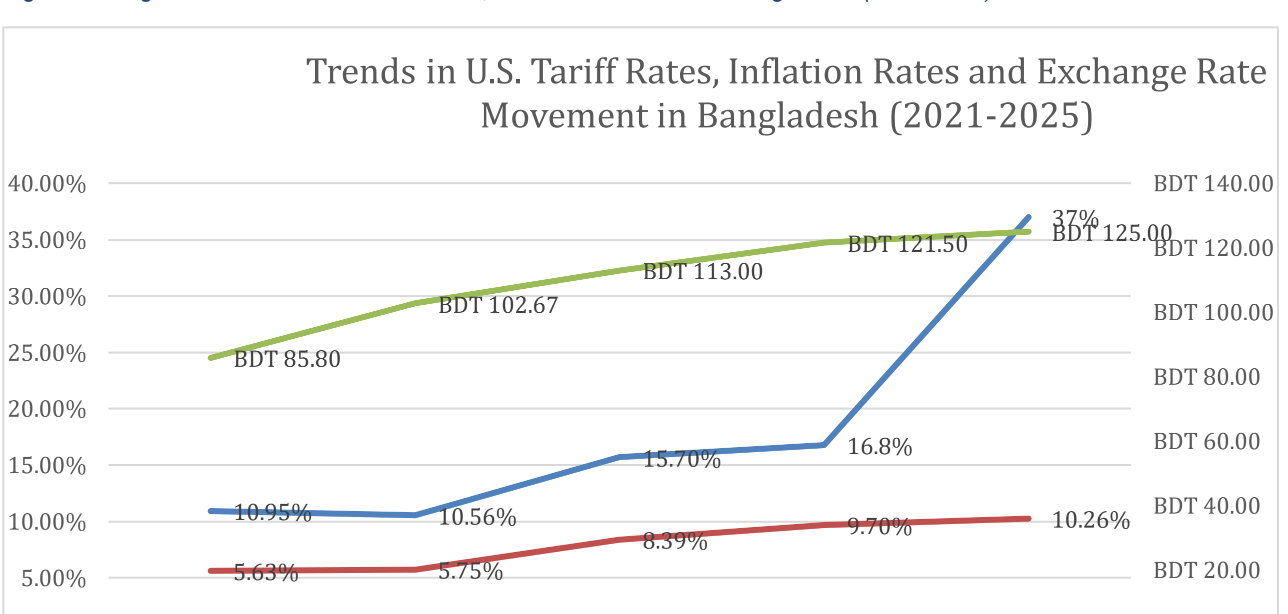
Bangladesh: Exposure, Risks, and Strategic Crossroads

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

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 (Office of the United States Trade Representative, 2025). The recent tariff spike has already triggered a 15–20% drop in orders, placing the livelihoods of nearly 4 million workers, primarily women, at significant risk. Bangladesh's readymade garment (RMG) sector, already navigating rising compliance costs and competitive margins, faces heightened exposure. A 37% tariff hike by its largest apparel buyer, the U.S., threatens to unravel decades of export-led growth.

For Bangladesh, the impact was swift and severe. Tariff rates, which had hovered around 10-11% in the early 2020s, surged past 37% by 2025, driven both by Bangladesh's internal policies and retaliatory dynamics in global trade. This abrupt increase in trade barriers came at a time when Bangladesh was already facing mounting inflation pressures at home, with rates climbing from around 5.6% in 2021 to over 10% by 2025 (12 Monthly Data for March each year, Bangladesh Bank 2025). Adding to the strain, the Bangladeshi Taka weakened significantly against the U.S. dollar, sliding from 86 BDT/USD in

Figure 2 Bangladesh Movement in U.S. Tariff, Inflation Rate and Exchange Rate (2021-2025)



Source: BB 2025, BBS 2025, USTR 2025

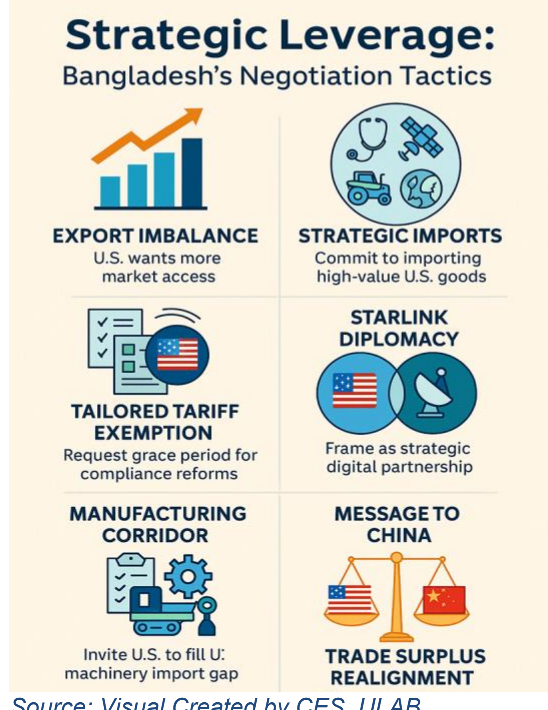
2021 to over 121 BDT/USD by 2025 (BBS, 2025). The depreciating currency made imports even more expensive, pushing everyday costs higher for households and businesses alike.

These trends visualized in Figure 2- higher tariffs, rising inflation, currency devaluation, created a reinforcing cycle of economic stress. For Bangladesh, the data tells a clear story. If we do not take decisive action to rationalize tariffs, the country's growth ambitions risk being weighed down by external shocks and internal vulnerabilities. At the heart of this economic pressure lies Bangladesh's ready-made garments (RMG) workforce, a sector where workers, 80% women, earn a minimum monthly wage of around approximately USD 70, barely enough to meet basic living standards amid rising food and housing costs. Even before the tariff shock, one-third of RMG workers were predicted losing jobs due to automation (Textile Today, 2025). If the 37% tariff takes full effect, the picture becomes even grimmer, triggering massive urban joblessness among rural migrants who had already fled deteriorating agricultural and fisheries sectors due to climate vulnerabilities, a crisis Bangladesh contributed least to causing.

U.S. brands are already redirecting apparel orders to India, Turkey, and Vietnam, where either the tariff is lower or the product is higher-end. Bangladesh's RMG sector, despite its scale, remains focused on low-margin stitching and not equipped with to get high value product orders, such as, formalwear, branded goods, specialized fabrics which Turkey and India dominates in receiving orders. Bangladesh, by contrast, has stayed labor-intensive and price-driven due its lower access to high value equipmenr, which leaves little cushion when costs spike. The RMG sector is deeply intertwined with logistics, packaging, banking, and even rural economies through remittances. If orders dry up, the ripple won't stop at factory gates. Banks exposed to RMG credit lines could see liquidity stress. Transport and e-commerce companies tied to RMG deliveries would be impacted.

What's Really on the Table: Bangladesh's Negotiation Leverage

The Trade and Investment Cooperation Forum Agreement (TICFA), the cornerstone of Bangladesh-U.S. trade discussions, has remained pending for an update since its December 2023 review deadline, highlighting a growing need for renewed engagement amidst shifting global trade dynamics. While labor reforms and ESG alignment strengthen Bangladesh's global positioning, the administration's immediate priorities may center elsewhere. Current signals indicate a focus more on visible economic rebalancing than sustainability-driven diplomacy. What U.S. Govt. wants are **deals that feel like wins**, **visible rebalancing**, and **America-first optics**. That means Bangladesh may need to craft proposals that resonate with economic priorities while upholding compliance goals.



Source: Visual Created by CES, ULAB

One opportunity lies hidden in our vulnerabilities. Bangladesh's heavy dependence on imported machinery—from basic textile threading to jewelry molding—has long been a drag on our industrial independence. India and China dominate this critical supply chain. But in the new landscape, it doesn't have to stay that way. By inviting U.S. manufacturers to

bridge these gaps—through strategic investment corridors, SEZ incentives, and joint ventures—Bangladesh can both strengthen its manufacturing base and create new avenues to close the trade deficit with the U.S. Smart diplomacy here is about turning a weakness into a dealmaker. Crucially, Bangladesh must walk this path carefully—securing new alliances without alienating China, which remains a vital economic and strategic partner. We explore these negotiation levers and opportunities in greater detail below.

- **Offer Tangible Market Access—on both U.S. and Bangladesh Terms:** Trump wants to see U.S. products land in foreign markets. Bangladesh can commit to **importing specific high-value U.S. goods** that support American jobs and visibility—like medical devices, high-tech agriculture tools, digital infrastructure components, and even military-grade communication systems where appropriate. These are sectors where U.S. manufacturers want footholds. If Bangladesh opens those channels, it creates real bargaining capital.

- **Tailored Tariff Exemption:** Bangladesh can propose a tailored tariff exemption for its RMG sector—not as a handout, but as part of a structured, phased plan. In return, we commit to time-bound improvements in compliance, worker safety, and digital transparency. A short grace period could offer breathing room as reforms take root.

- **Position Starlink as a Strategic Partnership:** Bangladesh's recent deal with **Starlink**—a U.S.-backed, defense-adjacent internet technology—can become a diplomatic asset. By framing Starlink not just as internet expansion but **a strategic digital and geolocation partnership** with the U.S., Bangladesh can signal alignment on digital sovereignty, disaster preparedness, and even remote security communication.

- **Structure "Patriotic Trade Deals" the Trump Way:** Bangladesh could explore opportunities for symbolic yet mutually beneficial bilateral purchase commitments, such as sourcing U.S. cotton, tech hardware, LNG, or pre-fab construction materials, even if modest in value.

- **Avoiding the Wrong Battles, Navigating China Cautiously:** The hardest part will be **not falling into open enmity with China**, while still signaling room for U.S. alignment. Bangladesh should not take sides explicitly. Instead, it can frame its U.S. outreach as **market diversification**, not ideological shift.

- **Use the Trade Surplus Smartly, Offer Gradual Realignment:** Rather than pretending the surplus doesn't exist and affect, Bangladesh can propose **a gradual three-year realignment plan**: increasing imports from the U.S. by a set percentage each year, across defined sectors. This is measurable, controlled, and shows intent to balance.

Bangladesh cannot afford inertia. The 2025 tariff regime is a strategic pivot point—what comes next depends on the speed and clarity of Bangladesh's response. If the upcoming TICFA report is bold, pragmatic, and forward-looking, Bangladesh can reduce risk, re-engage with U.S. markets, and turn this disruption into an upgrade.

Stability is our asset. **Smart diplomacy** is our tool. The time to use both is **now**.

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