

US Tariff Imposition in Bangladesh: Opportunities and Way Forward

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Abstract

The study explores the wide-ranging impact of recent U.S. tariff impositions on Bangladeshi exports, with a focus on the ready-made garment (RMG) sector, which accounts for over 87% of the country's total exports. Many studies have assessed the economic effects of tariff and policy responses; they have often overlooked the strategic opportunities that such disruptions may present. This research fills that gap by adopting a mixed-methods approach, combining quantitative data from 108 exporters and importers with qualitative insights from interviews with government officials, trade bodies, and think tanks. The findings identify major challenges, such as high logistics costs, non-tariff barriers, labor and environmental compliance issues, and regulatory uncertainty. However, they also reveal opportunities for export diversification in sectors like pharmaceuticals, ICT, agro-products, leather goods, and sustainable branded items, alongside prospects for growth in digital trade and bilateral engagement through mechanisms like TICFA. The study recommends strengthening trade diplomacy, advocating for GSP reinstatement, modernizing trade infrastructure, and aligning domestic regulations with global standards to ensure competitiveness post-LDC graduation.

Keywords: U.S. Tariff Impact, Bangladesh Export Strategy, Trade Diversification, Bilateral Trade, Negotiation, Market Access Barriers

1. Introduction

Bangladesh's economic growth over the past few decades has been significantly driven by its export-oriented industries, particularly the ready-made garment (RMG) sector. This sector has not only been a major source of foreign exchange but has also played a pivotal role in employment generation, especially for women. The United States stands as one of Bangladesh's primary export destinations, with the RMG sector contributing over 87% of Bangladesh's total exports. However, the trade relationship has faced challenges, notably the imposition of high tariffs by the U.S. It was reported that Bangladesh paid the highest average tariff rate of 15.2% on its exports to the U.S., primarily due to its concentration on apparel products. (Textile Focus, 2023)

In 2025, the U.S. introduced an additional 10% baseline tariff on imports from several countries, including Bangladesh (Saif, 2025). This move has intensified concerns about the competitiveness of Bangladeshi products in the U.S. market, potentially leading to reduced demand and job losses in the RMG sector. The imposition of these tariffs comes at a time when Bangladesh is already grappling with trade inefficiencies. Reports indicate that exporters face significant delays, with border and documentary compliance taking approximately 300 hours, substantially higher than regional counterparts. (Light Castle, 2023)

Despite these challenges, Bangladesh has opportunities to diversify both its export markets and products. Efforts to increase imports from the U.S., such as agreements to import liquefied natural gas and agricultural products, demonstrate Bangladesh's commitment to strengthening bilateral trade relations. In light of the evolving trade dynamics, it is imperative to assess the challenges posed by U.S. tariff impositions and explore potential strategies for Bangladesh to navigate this complex landscape.

2. Literature review

The recent imposition of US tariffs on Bangladeshi exports has triggered a multidimensional challenge for the country's economy, particularly for ready-made garment (RMG) sector. Initially, the increase in tariffs, rising sharply 37% from a prior average of 15%, has raised alarms regarding the cost competitiveness of Bangladeshi products in the US market, a key export destination (Eurasia Review, 2025; Textile Focus, 2025). As Bangladesh stands as the third-largest global apparel exporter, this move has implications not only for trade volume but also for employment and foreign currency earnings.

Analyses by the Centre for Policy Dialogue (CPD) estimate that the US may collect over \$1 billion in tariffs on Bangladeshi goods if the new measures are enforced fully, of which a large share would come from apparel exports (CPD, 2025; Ittefaq, 2025). This has spurred calls for Bangladesh to monitor its export competitiveness more vigilantly, particularly in comparison to regional peers such as Vietnam, Cambodia, and Thailand, while engaging the US under platforms like the Trade and Investment Cooperation Forum Agreement (TICFA) (CPD, 2025).

Moreover, these new tariffs exacerbate existing challenges in the export ecosystem, such as delayed shipments due to inefficient customs procedures and non-tariff barriers. These issues have been well documented. For example, Rahman and Strutt (2021) found that customs-related non-

tariff measures (NTMs) in Bangladesh continue to restrict trade flows despite formal tariff reductions, reducing overall efficiency. Sattar and Rahman (2016) further argued that inconsistencies in the country's tariff regime create unpredictable environments that hinder exporters' long-term planning.

The broader effects of trade liberalization and tariff policy have also been evaluated. Hoque and Yusop (2012) found that reducing tariff and non-tariff barriers had a significantly positive effect on Bangladesh's export growth. Similarly, Jalil, Islam, and Rahman (2016), Jalil et al. (2016) using a Computable General Equilibrium (CGE) model, concluded that liberalized trade policies led to increased income and output across various sectors of the economy. However, these benefits are contingent upon effective trade facilitation, which remains a concern.

Adding further insight, Rogers et al. (2024) examined the impact of US tariff policies using firm-level data. They found that the 2018 US tariffs, aimed at protecting domestic industries, had a negative effect on firm value, including adverse consequences for firms both upstream and downstream in the supply chain. This underscores the systemic nature of trade restrictions and their potential to disrupt not only exporters but also their global supply networks.

In terms of opportunities, the shifting geopolitical landscape has created space for strategic trade realignments. The Bangladesh Bank noted that retaliatory tariffs on China may present new export opportunities for Bangladesh as global buyers diversify sourcing (Financial Express, 2025). However, experts warn that unless Bangladesh proactively reduces its own tariffs on US goods, especially compared to India and Pakistan, it risks becoming less attractive to American buyers (RMG Bangladesh, 2025).

To mitigate these risks, Bangladesh has proposed trade facilitation measures such as duty-free access for garments made from American cotton, a move that could create a win-win dynamic for both partners (Textile Focus, 2025). In addition, academic and policy commentators emphasize the need for export diversification. Relying excessively on the US and the RMG sector leaves Bangladesh vulnerable to shocks. Expanding market access to the EU, Gulf countries, and Japan while investing in product innovation, compliance, and sustainable practices could bolster resilience (CPD, 2025; Textile Focus, 2025). A strategic pathway lies in Free Trade Agreements (FTAs). Faruky and Uddin (2024) noted that while FTAs could offer long-term market stability, Bangladesh faces institutional capacity constraints and must approach negotiations carefully to ensure reciprocity and avoid trade imbalances.

2.1 Research Gap and Conceptual Framework

Despite a growing body of literature examining the implications of US tariff measures on Bangladesh, notable gaps remain. Most existing studies primarily focus on the immediate economic impacts of tariff hikes or address specific trade policy responses in isolation. There is limited exploration of the potential opportunities that may arise from this shifting global trade environment, such as supply chain diversification, reduced dependency on China, and prospects for enhanced bilateral trade negotiations or free trade agreements (FTAs). Moreover, the literature lacks strategic foresight in proposing actionable, forward-looking policy frameworks to help Bangladesh navigate global trade uncertainties. This is particularly important as the country

approaches graduation from LDC status, a transition that will significantly reshape its preferential market access and trade dynamics. Addressing these research gaps is crucial to support evidence-based policymaking and strengthen Bangladesh's long-term trade resilience and competitiveness.

The conceptual foundation of this study rests on the theoretical intersection of international trade theory, particularly the neoclassical and new trade theories, and the political economy of protectionism, which posit that tariff policies distort comparative advantage, reduce allocative efficiency, and adversely impact export performance (Krugman, 1979; Bhagwati, 1988). Within this framework, the imposition of recent U.S. tariffs on Bangladeshi exports, particularly on the ready-made garment (RMG) sector, represents both a direct trade shock and a broader structural challenge to the country's export-led growth model. Tariff increases, by eroding price competitiveness, directly affect foreign exchange earnings, employment, and supply chain dynamics. Moreover, these trade barriers exacerbate existing inefficiencies such as non-tariff measures, customs delays, and regulatory unpredictability (Rahman & Strutt, 2021), thus reinforcing Bangladesh's vulnerability as a single-sector, single-market-dependent exporter.

While empirical literature has demonstrated that trade liberalization and tariff reduction contribute positively to economic output (Hoque & Yusop, 2012; Jalil et al., 2016), the reverse implication of protectionism suggests contractionary effects unless mitigated through strategic responses. These include trade diversification, institutional reform, and proactive engagement in bilateral mechanisms such as TICFA and potential FTAs. This study conceptualizes tariffs not merely as policy tools but as systemic disruptors with multi-layered consequences economic, institutional, and geopolitical, requiring a comprehensive policy response that aligns with Bangladesh's post-LDC graduation trajectory and long-term economic resilience.

3. Research Methodology

This research is explanatory in nature and was used to investigate and understand the challenges arising from the imposition of US tariffs on Bangladeshi export. The study also aimed to explore the opportunities and suggest a way forward for Bangladesh in response to the US tariff imposition.

To get sufficient answers in line with the research question of the study, this study adopted a mixed methodology combining both quantitative and qualitative research approaches. The research utilized a descriptive survey for the quantitative phase and in-depth interviews (IDIs) for the qualitative phase, along with secondary data review. The study covered key export-oriented sectors such as Ready-Made Garments (RMG), Textiles, Leather, Footwear, Pharmaceuticals, Information and Communication Technology (ICT), Home Textiles and Furnishings, Agri and Agro-processing, Jute and Jute Goods, Ceramics and Tableware, Light Engineering and Electrical & Electronics Goods.

Non-probability convenience sampling was used to collect quantitative data from 108 businesses from different sectors. For the qualitative survey, 16 In-depth interviews (IDIs) were conducted using four unstructured interview schedules. The IDIs included relevant stakeholders such as high government officials of Ministry of Commerce, Bangladesh Trade and Tariff Commission (BTTC), Export Promotion Bureau (EPB). From the Private Sector, IDIs were taken

from the relevant representative of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Association of Pharmaceutical Industries (BAPI), Bangladesh Jute Mill Associations (BJMA) and Importer and Exporter of Knitwear, Agri and Chemical Industries. Other side from Think Tanks & Research organizations Centre for Policy Dialogue (CPD) and Policy Research Institute (PRI) provided their IDs.

A structured questionnaire was administered using a computer-assisted survey solutions platform called KoBo toolbox to collect primary data. DCCI R&D team designed the survey forms applying complex algorithms for creating an interactive process of checking data validity. Data were cleaned and analysed using MS Excel and SPSS (Statistical Package for the Social Sciences), a software package used for the analysis of statistical data. The findings were further validated through in-depth interviews (IDs). The study took around one month to complete.

4. Analysis and Findings

This section presents the findings related to the overall objective of the study, which is to identify the challenges arising from the imposition of US tariffs on Bangladeshi export. The aim is to explore the opportunities and suggest a way forward for Bangladesh in response to the US tariff imposition. The data collection timeline for this research was from April 29, 2025, to May 17, 2025.

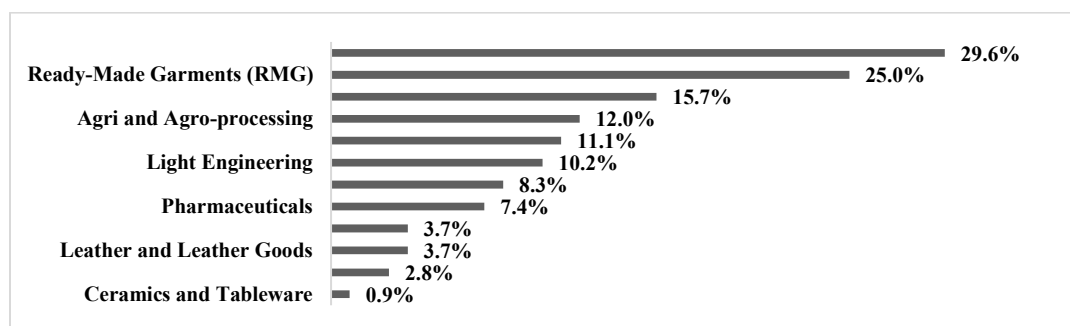
4.1 Descriptive analysis for identifying the challenges

4.1.1 Findings from the quantitative survey

4.1.1.1 Sectors belong to the Business in international trade

Quantitative data from 108 businesses from different sectors were collected in this survey. The international trade landscape is significantly shaped by a diverse range of business sectors. The Ready-Made Garments (RMG) sector leads with a substantial 25.0% contribution, followed by Electrical Goods at 15.7%, and Agri and Agro-processing at 12.0%. Other notable contributors include Textiles (11.1%), Light Engineering (10.2%), and IT and ITEs (8.3%). Sectors like Pharmaceuticals (7.4%), Leather and Leather Goods (3.7%), Jute and Jute Goods (3.7%), and Home Textiles and Furnishings (2.8%) play smaller yet important roles. Ceramics and Tableware contribute the least at 0.9%.

Figure 1: Business scenario in international trade



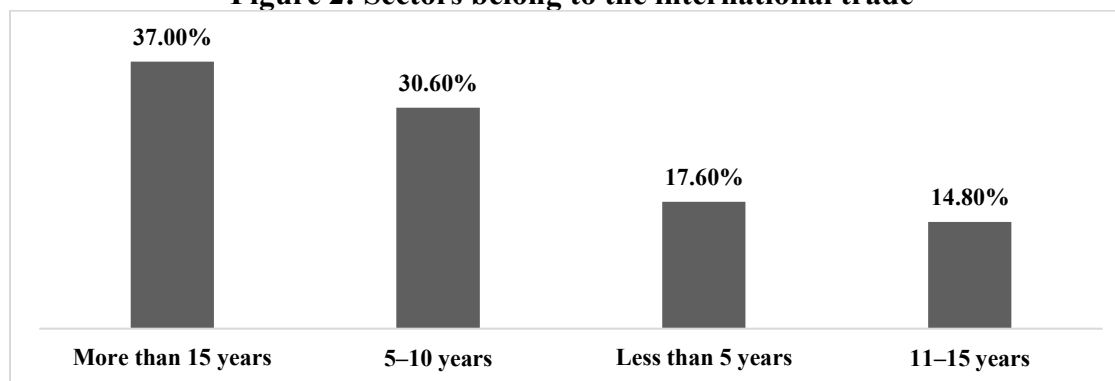
Source: DCCI Survey on US Tariff Imposition (2025)

In addition, 29.6% respondents who chose ‘others’ as an option were asked to specify the sectors, they might belong to. From their feedback, a list of other sectors is identified like Aeronautical Equipment, Artificial Marble Export, Automobile, Battery & IPS, Beauty Products, Chemicals, Contractor Services, Cosmetics and Personal Care, Diesel Engine Generators and Solar Panels, Equipment Manufacturer and Niche Engineering Service Provider, Handicrafts, Hospitality Machines & Chemicals, Imported Car Accessories, Imported Spices, Lentils, Rice, and Wheat, IoT (Internet of Things), IT Business, Machinery and Equipment for the Printing and Packaging Industries, Printing Equipment Supplier, Manufacturing, Motorcycles and Motor Parts, Paper Packaging & Packaging Technology, Plastics, Thread Manufacturer (primarily imports raw materials like yarn, dyes, and chemicals), Travel Agency and Water Filters.

4.1.1.2 Year of experience in international trade

The distribution of experience levels in international trade reveals a workforce with a strong foundation of seasoned professionals. A significant 37.0% of individuals have more than 15 years of experience, indicating a mature and knowledgeable segment. This is followed by 30.6% with 5–10 years of experience, reflecting a solid mid-level presence. Meanwhile, 14.8% have 11–15 years of experience, and 17.6% are relatively new to the field with less than 5 years. This mix suggests a healthy balance of expertise and emerging talent, supporting both innovation and continuity in international trade practices.

Figure 2: Sectors belong to the international trade

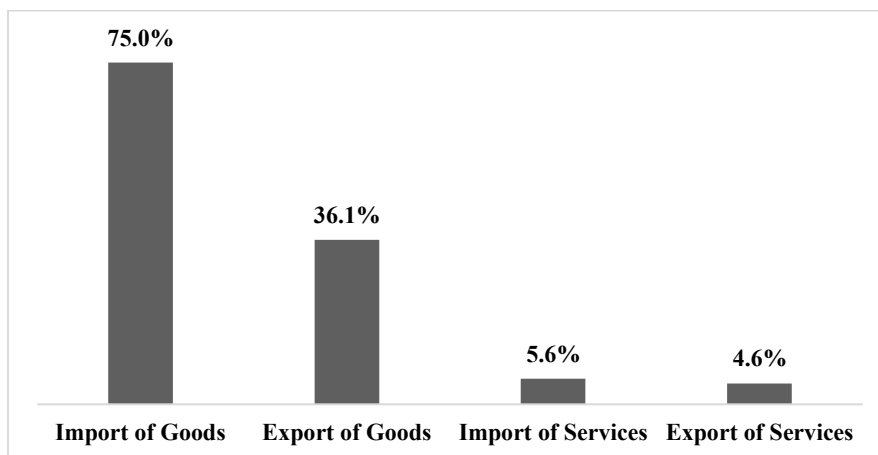


Source: DCCI Survey on US Tariff Imposition (2025)

4.1.1.3 Nature of the business

The nature of business activities in international trade is predominantly focused on the import of goods, which accounts for a substantial 75% of operations. This is followed by the export of goods at 36.1%, indicating a strong engagement in outbound trade as well. In contrast, import of services and export of services represent much smaller shares, at 5.6% and 4.6% respectively. This distribution highlights a trade environment heavily oriented toward tangible goods, with relatively limited involvement in service-based trade activities.

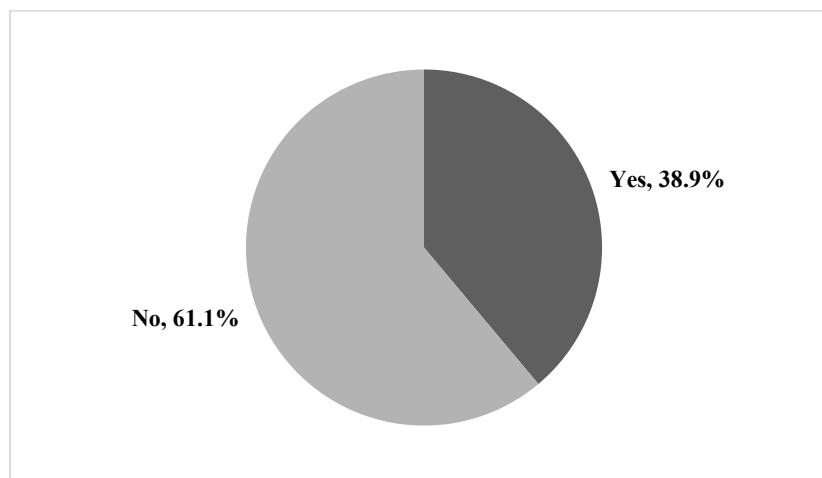
Figure 3: Business activities in international trade



4.1.1.4 Whether currently export or import goods or services to the United States?

Only 38.9% businesses reported that they currently export or import goods or services to the United States while most (61.1%) of the businesses reported that they don't.

Figure 4: Businesses with the United States



Source: DCCI Survey on US Tariff Imposition (2025)

4.1.1.5 Goods or services that are exported to the US

Businesses export a variety of goods and services to the United States, including artificial marble stone and ceramics. The clothing and home textiles sector are a major contributor, with garments for men, women, boys, girls, and babies ranging from basics to high fashion, casual wear, active wear, and work wear. Other exported items include hats and caps; knit products such as T-shirts, polo shirts, and leggings; and sweaters like cardigans and pullovers. The pet food category, including dry dog food and products such as bully sticks, also features prominently. Additionally, exports include T-shirts, hoodies, denim pants, joggers, socks, uniforms, caps, towels, wipers, and rags.

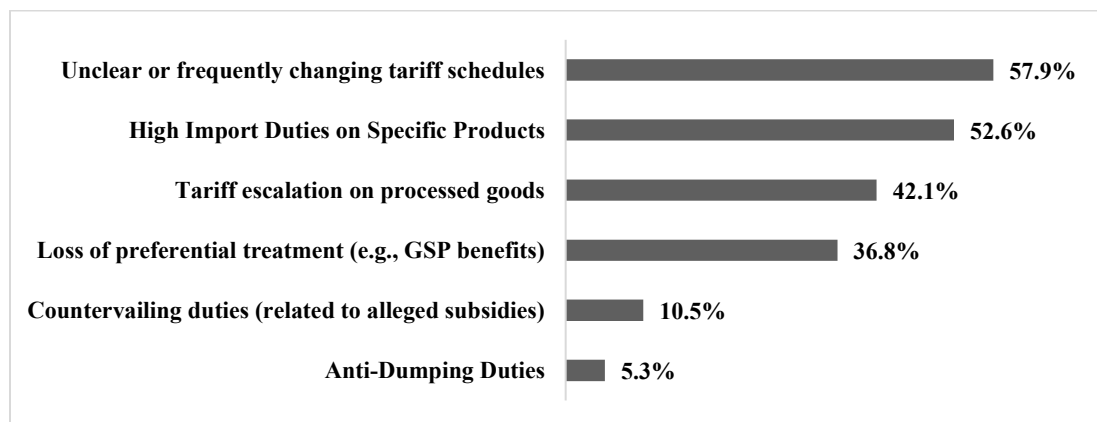
4.1.1.6 Current US tariff rate imposed on the Export Goods/services

The current tariff rates imposed by the United States on exported goods and services from various sectors show significant variation. For general goods, the tariff rates range broadly from 7.5% to 38%. The apparel sector experiences an average tariff of around 11.56%, whereas household textile products (including towels, bed sheets, and curtains) typically incur tariffs between 6% and 12%, depending on the specific item.

4.1.1.7 Tariff barriers faced when dealing with the US market

Tariff barriers encountered in the U.S. market present significant challenges for international traders. The most commonly reported issue is unclear or frequently changing tariff schedules, affecting 57.9% of respondents, followed closely by high import duties on specific products at 52.6%. Tariff escalation on processed goods is also a major concern, cited by 42.1%, while loss of preferential treatment, such as the withdrawal of GSP benefits, impacts 36.8%. Less frequently reported but still notable are countervailing duties related to alleged subsidies (10.5%) and anti-dumping duties (5.3%). This data highlights the complexity and unpredictability of tariff structures in the U.S. market, which can hinder trade efficiency and strategic planning.

Figure 5: Tariff barriers with the US market

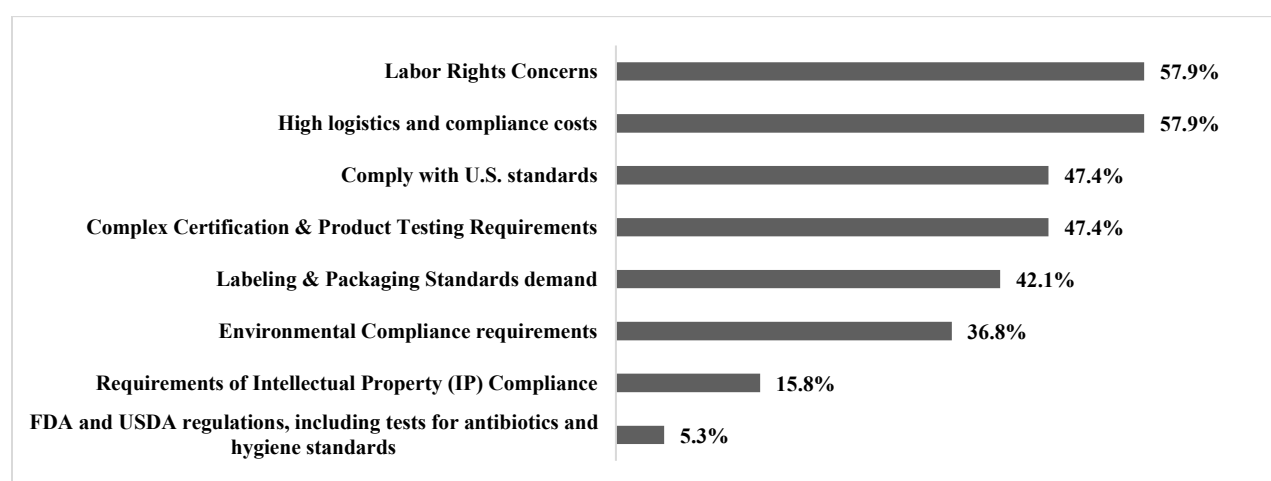


Source: DCCI Survey on US Tariff Imposition (2025)

4.1.1.8 What non-tariff barriers have been encountered when accessing the U.S. market?

Non-tariff barriers pose significant challenges for exporters accessing the U.S. market. The most frequently encountered issues include high logistics and compliance costs and labor rights concerns, each reported by 57.9% of respondents. Complex certification and product testing requirements and the need to comply with U.S. standards were also major hurdles, both cited by 47.4%. Additionally, labelling and packaging standards (42.1%) and environmental compliance requirements (36.8%) add to the regulatory burden. Less commonly reported but still impactful are intellectual property (IP) compliance requirements (15.8%) and FDA/USDA regulations, including hygiene and antibiotic testing (5.3%). These findings underscore the multifaceted nature of non-tariff challenges, which can significantly affect market entry and operational efficiency.

Figure 6: Non-tariff barriers to the U.S. market



Source: DCCI Survey on US Tariff Imposition (2025)

4.1.1.9 Goods or services imported from the US

The following goods and services are imported from the United States: air conditioners (AC), aeronautical equipment, agro and agricultural products, air compressors, and beauty products. Other significant imports include chemicals, cotton, electronic goods, water filters, and IT-related products. Additionally, jute and jute goods, medical equipment and related products, as well as pharmaceutical goods, are also imported.

4.1.1.10 Current US tariff rate imposed on the imported Goods/services

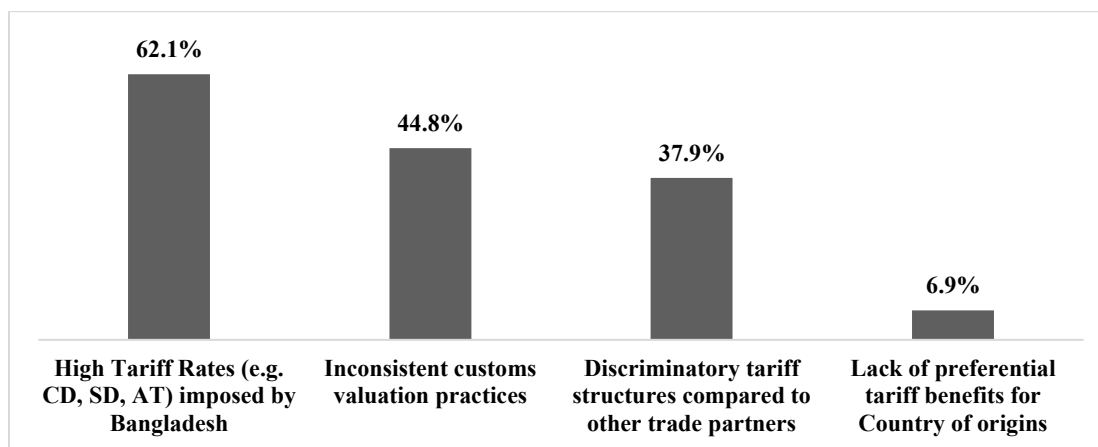
The most frequently cited rate ranges from 10% to 15%. Higher rates such as 27%, 37%, 68%, and even 74% were also reported, indicating that some goods face significantly steeper tariffs. A few responses noted extreme cases like 90%. Additionally, 0% tariffs suggest that some products may be exempted. This distribution highlights the variability of U.S. tariff applications across different goods and services.

4.1.1.11 Tariff barriers faced when importing from the US?

Importers in Bangladesh face several tariff-related challenges when sourcing goods from the U.S. The most significant barrier is the imposition of high tariff rates such as Customs Duty (CD), Supplementary Duty (SD), and Advance Tax (AT), reported by 62.1% of respondents.

Additionally, inconsistent customs valuation practices affect 44.8%, creating uncertainty in cost assessments. Discriminatory tariff structures, where the U.S. is treated less favourably compared to other trade partners, impact 37.9% of importers. A smaller portion, 6.9%, cited the lack of preferential tariff benefits based on the country of origin. These findings highlight the need for more transparent and equitable tariff policies to facilitate smoother trade flows from the U.S. to Bangladesh.

Figure 7: Tariff barriers in importing from the US

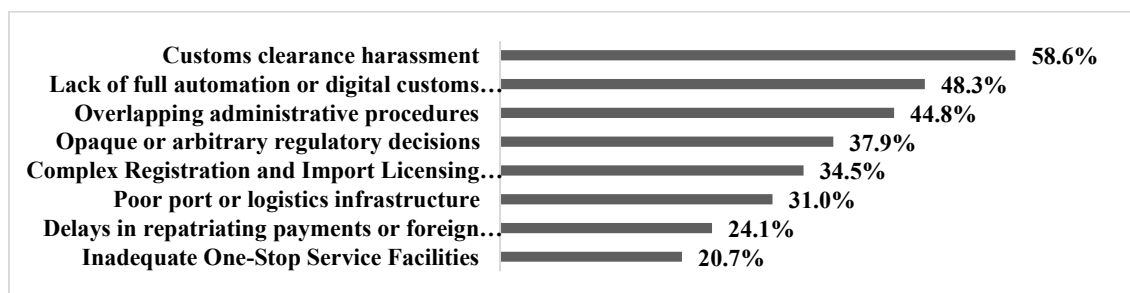


Source: DCCI Survey on US Tariff Imposition (2025)

4.1.1.12 Non-tariff barriers faced when importing from the US?

Importers in Bangladesh face a range of non-tariff barriers when dealing with goods from the U.S., with customs clearance harassment being the most frequently reported issue, affecting 58.6% of respondents. Lack of full automation or digital customs processing (48.3%) and overlapping administrative procedures (44.8%) also significantly hinder efficient trade operations. Additionally, opaque or arbitrary regulatory decisions impact 37.9%, while complex registration and import licensing procedures affect 34.5%. Other notable challenges include poor port or logistics infrastructure (31.0%), delays in repatriating payments or foreign exchange approvals (24.1%), and inadequate one-stop service facilities (20.7%). These barriers collectively highlight the need for streamlined, transparent, and digitized trade facilitation mechanisms to improve import efficiency from the U.S.

Figure 8: Non-tariff barriers in importing from the US

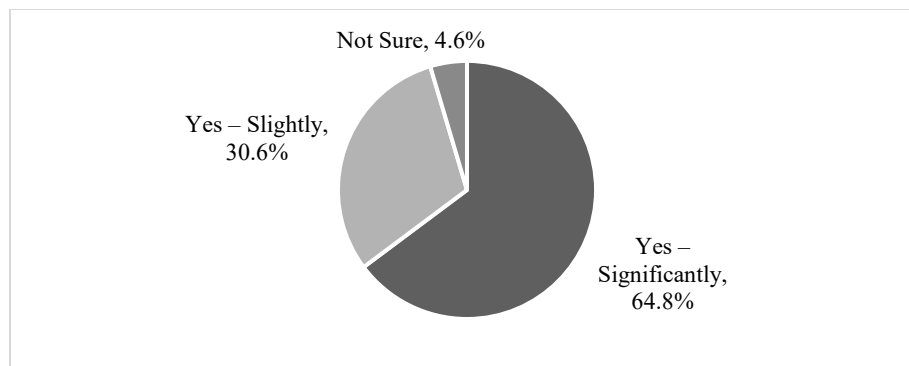


Source: DCCI Survey on US Tariff Imposition (2025)

4.1.1.13 Whether the recent US tariff imposition impacted the country's trade environment?

The recent imposition of U.S. tariffs has had a noticeable impact on the country's trade environment. A significant 64.8% of respondents reported that the tariffs have affected trade substantially, while another 30.6% acknowledged a slight impact. Only 4.6% were unsure about the effects. This overwhelming majority indicates that the tariff changes have disrupted trade dynamics, likely influencing export competitiveness, cost structures, and overall market access strategies.

Figure 9: US tariff impact

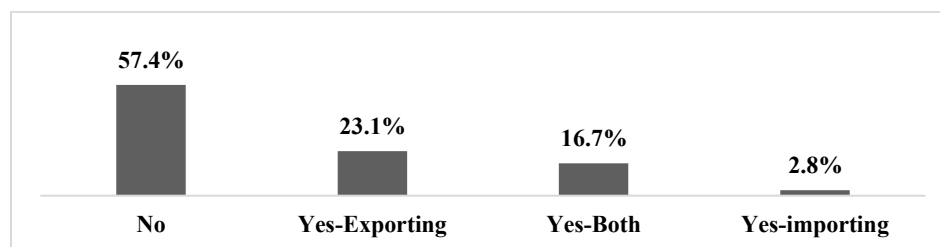


Source: DCCI Survey on US Tariff Imposition (2025)

4.1.1.14 If the proposed tariff rate is implemented, are there any opportunities for importing or exporting goods or services from the US?

If the proposed U.S. tariff rate is implemented, the outlook for trade opportunities appears limited. A majority of 57.4% of respondents believe there would be no opportunities for importing or exporting goods or services under the new tariff regime. However, 23.1% see potential for exporting, while 16.7% anticipate opportunities in both importing and exporting. Only 2.8% foresee prospects solely in importing. This suggests that while some businesses remain optimistic about some opportunities, the overall sentiment reflects concern about the restrictive impact of the proposed tariffs on bilateral trade.

Figure 10: Tariff and business opportunities with US?

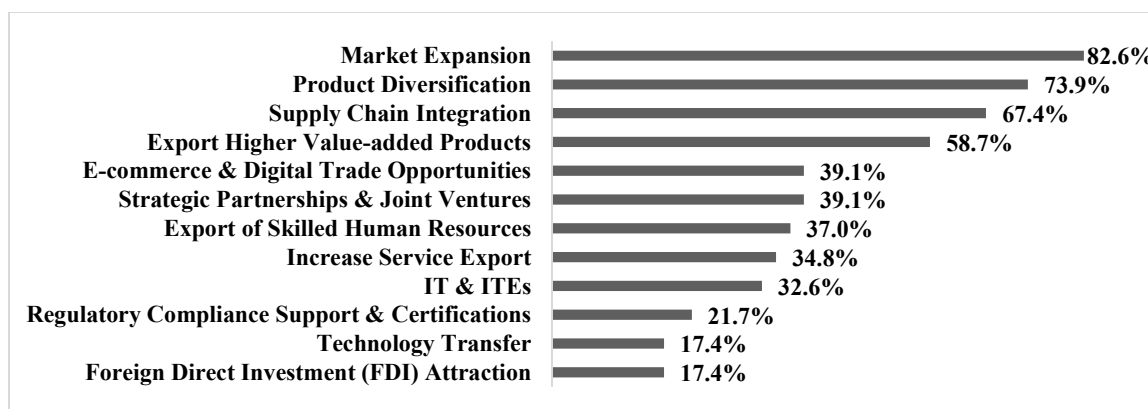


Source: DCCI Survey on US Tariff Imposition (2025)

4.1.1.15 What kind of opportunities are there (both for export and import) in the US Market?

The U.S. market presents a wide array of opportunities for both import and export activities. The most prominent is market expansion, identified by 82.6% of respondents, followed closely by product diversification at 73.9%, and supply chain integration at 67.4%. Additionally, 58.7% see potential in exporting higher value-added products, while strategic partnerships and joint ventures and e-commerce & digital trade each appeal to 39.1%. Opportunities also exist in exporting skilled human resources (37.0%), increasing service exports (34.8%), and the IT & ITEs sector (32.6%). Though less frequently cited, regulatory compliance support (21.7%), technology transfer, and foreign direct investment (FDI) attraction (both 17.4%) also represent valuable prospects. These insights reflect a dynamic and multifaceted potential for growth in the U.S. market across goods, services, and strategic collaborations.

Figure 11: Opportunities in the US market?



Source: DCCI Survey on US Tariff Imposition (2025)

4.2 Descriptive analysis for exploring the opportunities and suggesting a way forward for Bangladesh in response to the US tariff imposition.

To strengthen US-Bangladesh trade relations, Bangladesh should intensify government-to-government dialogues, advocate for tariff reductions (especially on RMG), pursue product-specific zero-tariff agreements, and propose a Free Trade Agreement (FTA), while highlighting its low import duties on US goods to seek reciprocity. Export diversification beyond RMG into ICT, pharmaceuticals, agro-products, ceramics, and handicrafts is essential, alongside promoting value-added exports and sector-specific targets. Import strategies should focus on essential US goods like agri-tech while discouraging non-essential imports and addressing tariff disputes. Attracting US FDI requires developing SEZs, offering tax incentives, and improving infrastructure, customs, and governance. Branding efforts such as “Made in Bangladesh” campaigns and digital trade promotions must be expanded.

Compliance with labor, safety, and environmental standards, and implementing a Single Window for customs, will enhance investor confidence. Strategic research on tariffs, GSP, and alternative manufacturing routes should inform policy. Collaboration with trade bodies and B2B platforms can boost engagement, while legalize digital remittance and expand formal banking for

service exports is vital. Exploring new markets like Japan, Australia, and Africa can reduce overdependence on the US and EU. Tariff conflicts should be leveraged for reform, supported by benchmarking successful peers. A transparent, investor-friendly climate, simplified business processes, and active use of TICFA can drive reform. Bangladesh should also seek five-year duty-free access, strengthen trade facilitation and OSS platforms, support SMEs with training and US-specific services, and build a mutually beneficial trade environment by addressing labor, digital trade, and policy concerns with flexibility and accountability.

5. Major findings from the IDIs

5.1 Impact of Recent U.S. Tariffs on Bangladesh's Export and Import Sectors

Tariff incidence on Bangladeshi exports to the U.S. ranges from 4% to 38%, complicating pricing negotiations despite an average rate of around 15%. While Bangladesh remains relatively competitive especially compared to peers like Vietnam and Cambodia who face even higher tariffs global buyers are consolidating their sourcing strategies, negotiating harder, and demanding better pricing. Export volumes have remained stable, but export values are increasingly volatile, making price competitiveness more critical than ever. The RMG sector, as Bangladesh's largest export to the U.S., is the most affected, while import-dependent industries such as electronics, machinery, and pharmaceuticals are facing rising input costs and supply chain issues. These tariffs are accelerating Bangladesh's urgency to prepare for its upcoming graduation from Least Developed Country (LDC) status. Even minor tariff hikes can trigger order cancellations or force exporters to reduce prices. Additionally, global supply chain disruptions are inflating raw material costs, even in sectors with limited direct U.S. imports. On a more positive note, IT-enabled services remain largely unaffected and show growth potential, while some pharmaceutical firms have successfully entered the U.S. market after securing ANDA approvals. However, rising production costs from tariffs threaten overall price competitiveness, and delays in consignment deliveries are already hampering export growth.

To mitigate these challenges, companies are diversifying into Latin America, Africa, and Southeast Asia to reduce reliance on the U.S. market. A continuation of this trend may lead to declining export volumes and hurt domestic production. Ceramic exporters, in particular, face uncertainty due to unclear tariff burden-sharing mechanisms, despite receiving a 6% export incentive. Notably, U.S. buyers are now shifting around 20% of tariff costs onto Bangladeshi exporters, highlighting the urgency for a more balanced trade policy. While Bangladesh is not directly targeted like China, shifting global sourcing strategies are creating ripple effects. Buyers are becoming increasingly cautious, demanding lower prices and faster deliveries, while exporters face growing competition from other nations expanding their market reach. Diversification is now a core strategy to reduce overdependence on the U.S. and EU markets. Nonetheless, some trade channels remain smooth, such as the continued import of maize seeds from the U.S. via India, which has thus far avoided major disruptions.

5.2 Institutional Weaknesses and Policy Gaps

Bangladesh's trade performance faces several structural and operational challenges. There is an over-reliance on a single export sector, primarily ready-made garments (RMG) and limited

diversification both in products and markets. The absence of proactive trade policies, combined with inadequate infrastructure, hampers the country's ability to respond effectively to global trade disruptions. A comprehensive industrial policy is lacking, and small and medium enterprises (SMEs) receive insufficient support to scale and compete internationally. Stringent U.S. regulations, such as FDA guidelines and Good Manufacturing Practices (GMP) certification, serve as non-tariff barriers, particularly affecting the pharmaceutical sector, which is striving for international certifications and technology adoption but continues to face regulatory hurdles. Regional market access for jute is constrained by India's anti-dumping policies.

Trade efficiency is further undermined by complex customs valuation, delayed clearance processes, rising logistics costs, and unreliable shipment timelines caused by global port congestion. Exchange rate volatility and delays in letter of credit (LC) settlements complicate procurement planning, while exporters often lack clear compliance guidance and designated contact points to resolve regulatory issues. In sectors like agriculture, unclear certification requirements, for example, in maize exports, are disrupting trade. Additionally, a lack of transparency in tariff structures impairs cost forecasting and pricing negotiations. Lengthy investment approval processes further deter potential investors and slow trade responsiveness. Efforts to substitute high-tech inputs are proving difficult, hindering product diversification, and unresolved issues such as non-functional Central Effluent Treatment Plants (CETP) in the leather sector continue to limit its export potential.

5.3 Private Sector Initiatives to Overcome Challenges

Bangladesh is actively pursuing strategic approaches to enhance its export competitiveness and resilience. Efforts are underway to expand into new markets such as Canada, South Korea, and Eastern Europe, aiming to reduce dependency on traditional destinations. At the same time, there is a growing focus on promoting value-added production, including premium knitting, digital printing, and branded garments, to increase profitability and differentiate products globally. Maintaining a balance between low production costs and high-quality standards remains a priority. The jute sector, in particular, is targeting European and Middle Eastern markets, capitalizing on the rising global demand for eco-friendly products. To boost efficiency, industries are exploring technology upgrades, although access to capital remains a key constraint.

A strategic shift from low-end to high-end products is also underway to mitigate tariff vulnerabilities and enhance market positioning. Embracing digital transformation through AI-based planning and precision systems is gaining traction across sectors. Additionally, there is a strong commitment to sustainable production practices, with increasing adoption of renewable energy and eco-friendly operations to align with global environmental standards.

5.4 Taken initiative from the Government to overcome challenge

Bangladesh has implemented a series of short- and medium-term policy measures aimed at reducing the trade gap with the United States and strengthening its overall trade framework. These include tariff reductions and the introduction of zero import duties on an additional 100 U.S. items, on top of the 190 already covered. Targeted tariff adjustments are being developed in collaboration with the Bangladesh Trade and Tariff Commission (BTTC), which is also identifying low-impact

U.S.-linked tariff lines for liberalization. The government is preparing to scale up imports of key U.S. goods such as cotton, soybean oil, and machinery. A Smooth Transition Strategy (STS) action plan is nearing completion to support the country's graduation from LDC status. Infrastructure development is ongoing in utilities, transport, and roads, while new SME-focused policies are being rolled out. Measures such as import duty cuts on raw sugar and proposed temporary tariff waivers for vulnerable industries, like small garment exporters, have been introduced alongside expanded export refinance schemes and duty drawback facilities.

To reduce dependence on the U.S., trade diversification is being prioritized through the promotion of high-value exports and local value-added production. BTTC provides data-backed sectoral guidance for trade negotiations, while the national budget supports increased R&D and market exploration. The Ministry of Commerce is establishing a Trade Expert Pool (TEP), and bonded warehouse access is being extended to all export-oriented industries with at least 30% value addition. These government initiatives require active private sector collaboration. On the regulatory front, efforts are underway to streamline customs processes through full automation and the development of a National Single Window. A Trade Negotiation Division is being set up, and an Exit Policy is in progress. Port logistics and energy crisis management are being improved through EPB initiatives and negotiations with Middle Eastern countries, respectively. Online portals now issue required certificates from CCI&E and RJSC, while solar energy equipment enjoys duty-free import status. The NPL classification period has been shortened to improve credit flow. BTTC plays a pivotal role in monitoring global tariff trends, adjusting protective measures, and advocating for e-governance, simplified customs procedures, and infrastructure upgrades.

Tariff relief negotiations are ongoing, with the Commerce Adviser engaging with the USTR and leveraging TICFA to push for zero-duty access and reciprocal tariff arrangements. Bangladesh is seeking duty-free schemes for garments made from U.S. cotton and enhancing outreach through trade fairs and diplomatic engagement. Foreign missions are actively promoting top non-RMG exports, such as leather, handicrafts, and agro-products. Bilateral and multilateral negotiations are in progress, including FTAs with Vietnam, Canada, Singapore, South Korea, the UAE, Brazil, and Japan. Intellectual property rights (IPR) protections are being prioritized, with the Comprehensive Economic Partnership Agreement (CEPA) expected to be finalized within six months and an Economic Partnership Agreement (EPA) with Japan addressing IPR concerns in the pharmaceutical sector.

5. Conclusion and Recommendations

The findings of this survey offer a comprehensive view of the international trade dynamics experienced by Bangladeshi businesses, especially in the context of trade with the United States. While the Ready-Made Garments (RMG) sector continues to dominate export activities, emerging contributions from sectors such as electrical goods, agro-processing, and IT & ITEs reflect a growing diversification of Bangladesh's trade portfolio. The significant proportion of experienced professionals within these sectors provides a solid foundation for managing and navigating complex global trade environments.

However, the findings underscore significant structural and regulatory challenges when engaging with the U.S. market. A majority of businesses cite high and unpredictable tariff rates

(20%), withdrawal of preferential trade benefits, and procedural complexities as key impediments to trade. Non-tariff barriers, such as high compliance and logistics costs, certification difficulties, and environmental and labor rights requirements, further complicate access. On the domestic front, Bangladeshi importers face burdensome tariff structures and customs inefficiencies, which collectively hinder smooth bilateral trade flows.

Despite these barriers, the survey reveals that businesses remain optimistic about the opportunities the U.S. market offers. Respondents recognize strong potential for market expansion, product diversification, and value-added exports. Strategic partnerships, digital trade, skilled labor mobility, and growth in service exports are also seen as viable avenues for collaboration and development. This dual reality of persistent trade obstacles on one hand, and untapped opportunity on the other calls for comprehensive policy reforms, enhanced trade facilitation mechanisms, and stronger bilateral cooperation.

In conclusion, the U.S.–Bangladesh trade relationship is at a pivotal juncture. While current challenges pose real risks to growth and competitiveness, the strategic opportunities are equally compelling. With targeted interventions to address tariff and non-tariff barriers, and efforts to modernize trade infrastructure, Bangladesh can unlock greater value from this key bilateral relationship and position itself more competitively in the global trade ecosystem. Based on the findings and observations, this study proposes the following set of recommendations for exploring the opportunities and suggest a way forward for Bangladesh in response to the US tariff imposition.

- Eliminate redundant regulations (e.g., U.S. cotton fumigation) to ease imports.
- Reform import policy in light of U.S. reciprocal tariffs.
- Recognize reciprocal obligations under GSP Plus and other trade schemes.
- Secure bilateral trade deals with non-traditional partners for strategic imports.
- Improve port infrastructure, customs clearance, and logistics.
- Form joint ventures with U.S. firms in energy-efficient distribution and technology transfer.
- Improve shipping, warehousing, and import logistics.
- Promote digital infrastructure and workforce skill development to scale the IT sector.

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