

Tariffs and Trade Implications of Bangladesh

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Bangladesh's trade is highly vulnerable due to its concentrated reliance on the U.S. as its largest export market and ready-made garments (RMG) as its primary export product. While the recent U.S. tariffs have created shocks across global markets, Bangladesh has secured a favourable tariff rate compared to competitors, albeit with significant terms and conditions. Despite this advantage, the nation has challenges ahead in maintaining its export growth. To navigate these complexities, Bangladesh should implement focus on [mitigating tariff impacts on exports](#) while simultaneously diversifying its economy through [overseas employment](#) and [support for small industries](#). This paper has the following contents:

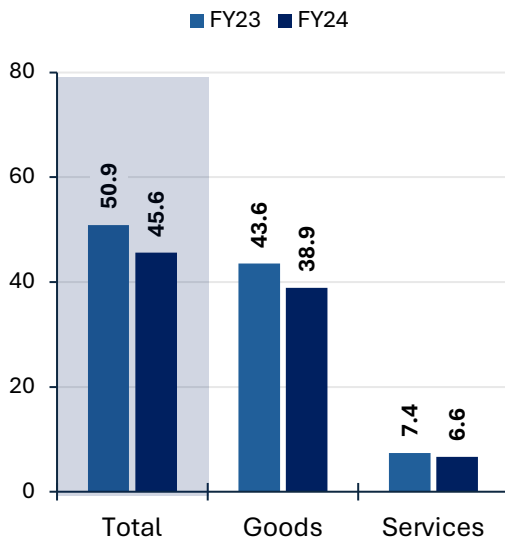
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1. Trade Scenario of Bangladesh (Global & U.S.A)

Bangladesh's global trade is concentrated in goods, particularly RMG. With the U.S. market accounting for a large portion of these exports, the nation is highly susceptible to the shifts in U.S. tariff policy.

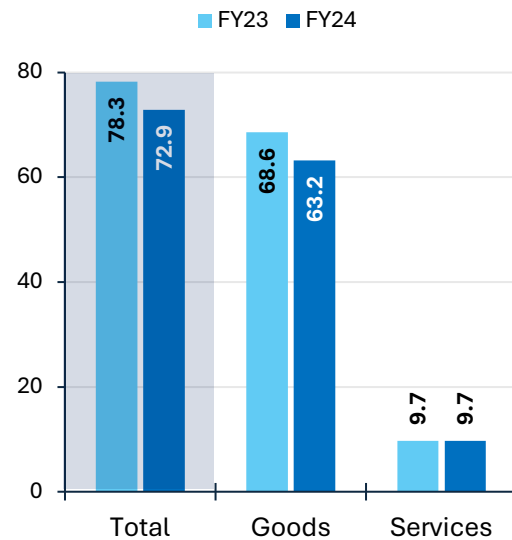
Bangladesh Global Exports

Figures in billion USD



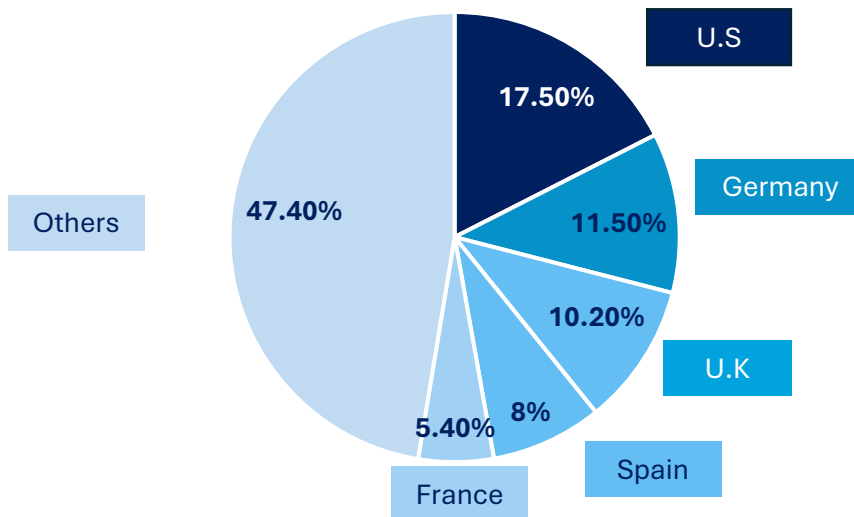
Bangladesh Global Imports

Figures in billion USD



Top Country-wise Exports of Bangladesh

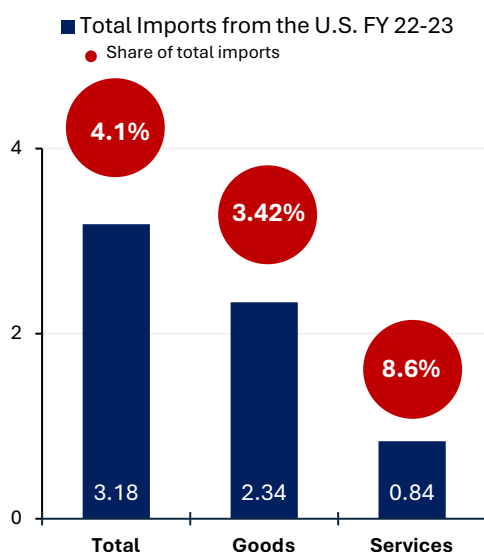
FY 2023-2024



Bangladesh and U.S Trade Snapshot

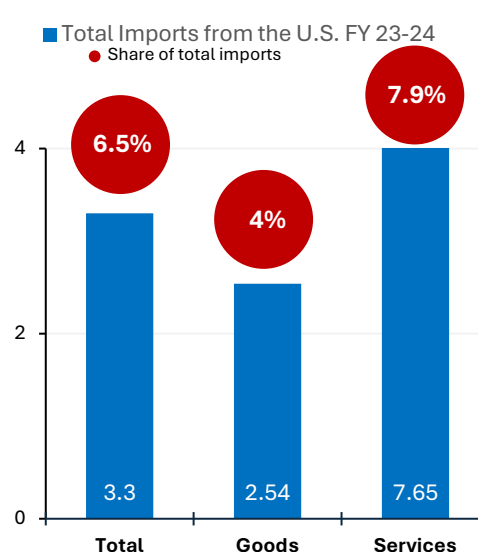
Total Imports from the U.S. FY23

Figures in billion USD



Total Imports from the U.S. FY24

Figures in billion USD



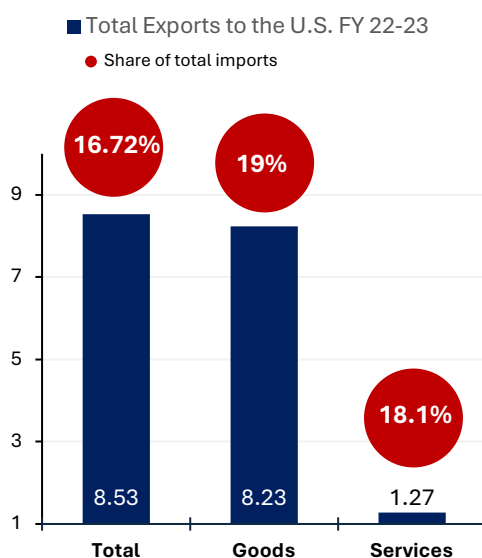
Share of goods imported from the U.S in FY23-24

Commodity group	Amount (In million USD)	Share (%)
Iron and Steel	601.4	23.7
Mineral fuels, mineral oils and products	595.2	23.5
Cotton	361	14.2
Oil seeds and oleaginous fruits; miscellaneous grains; seeds and fruit; industrial or medicinal plants; straw and fodder	341	13.4
Nuclear reactors, boilers, machinery	110.9	4.4
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers and parts and accessories of such articles	60.6	2.4
Plastics and articles thereof	45.6	1.8
Cereals	43.8	1.7
Paper and paperboard; articles of paper pulp, of paper or of paperboard	24.1	1
Pulp of wood or of other fibrous cellulosic material; Recovered (Waste and scrap) paper or paperboard	20.4	0.8

Pharmaceutical products	19.2	0.8
Miscellaneous chemical products	17.6	0.7
Organic chemicals	16.2	0.6
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and instruments and apparatus	82.2	3.2
Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	13.4	0.5
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	13.1	0.5
Products of animal origin, not elsewhere specified or included	12.3	0.5
Man-made staple fibres	9	0.4
Residues and waste from the food industries; Prepared animal fodder	64.9	2.6
Others	83.6	3.3

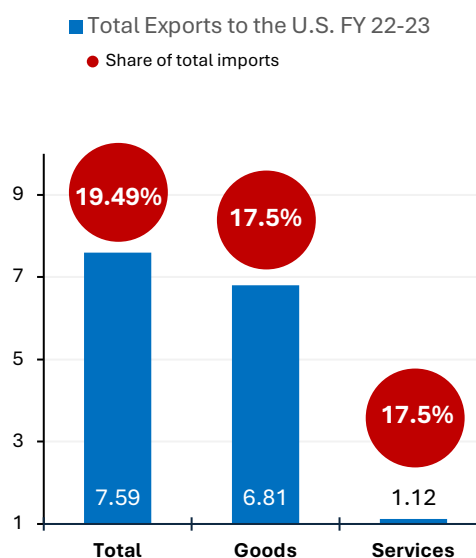
Total Exports to the U.S. FY23

Figures in billion USD



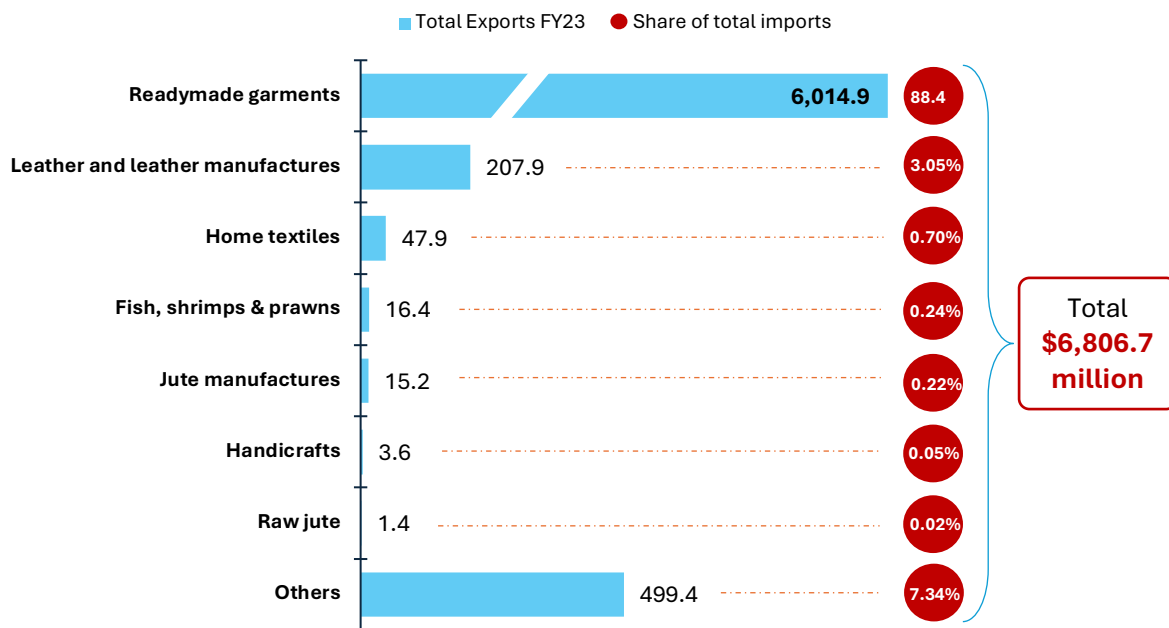
Total Exports to the U.S. FY24

Figures in billion USD



Share of goods exported to the U.S.

Figures in million USD



Data: Bangladesh Bank

2. CURRENT TARIFF SCENARIO FOR BANGLADESH

In the new Trump-era of U.S. trade policy, while new tariffs, compared to initial tariff shocks create a favourable edge for Bangladesh over key South Asian competitors, this advantage is narrowed by supply chain risks. The country's exports in cotton are an advantage as it offers a strong foothold, but logistical drawbacks in sourcing raw materials in reality is a critical gap in speed and efficiency.

37%

INITIAL RATE OF TARIFF FROM TRUMP
ADMINISTRATION FOR BANGLADESH

After negotiation

20%

FINALIZED RATE OF TARIFF FOR
BANGLADESH

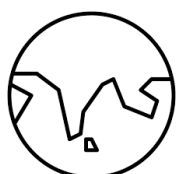
(20% Tariff Rate + 16.5% Import Duty)

16.5%

AVERAGE U.S IMPORT DUTY

36.5%

EFFECTIVE TARIFF RATE (ETR) FOR
BANGLADESH



SOUTH ASIAN COMPETITORS

Cambodia, Pakistan, and Indonesia are now subject to a revised tariff rate of 19%. Sri Lanka and Vietnam face a 20% tariff; the same rate applied to Bangladesh. Meanwhile, India is facing a significantly higher revised tariff of 25%.



WIN FOR COTTON

Bangladesh's export focus on cotton garments, taxed leniently by the U.S, gives it a favourable Effective Tariff Rate (ETR). This contrasts with Vietnam and China, which export more high-tariff, non-cotton products. A new deal offers a tariff waiver on products containing *US-origin content*, such as cotton. For instance, a garment with 20% U.S cotton is taxed on only 80% of its value, but cotton shipments from the U.S can take **30 days** to arrive, compared to **2 days** from India.



CHALLENGES AT HAND

Bangladesh's share of the US apparel market could grow due to its competitive tariff rate, but the potential growth is threatened by a shrinking U.S market, projected to fall from \$85Bn to \$75Bn. Higher tariffs across the board are expected to reduce consumer spending, leading to fewer overall orders despite Bangladesh's relative advantage. Reduced access to the US market may push Bangladesh to compete more intensely in alternative markets like the EU, where oversupply from other countries could depress prices.



SHIFTING GEOPOLITICAL LANDSCAPE

A potential strengthening of China-India trade offers both opportunities and challenges for Bangladesh. While it could create export opportunities by filling a supply gap in the US market, it may also intensify regional competition. Bangladesh's reliance on raw materials from both countries adds complexity. Bangladesh's ability to benefit hinges on strengthening its domestic infrastructure and ease of doing business.

Sources: [Fibre2Fashion](#) , [Reuters](#), [White House](#)

As part of the negotiations with the United States, Bangladesh has committed to undertaking significant policy and regulatory reforms. These reforms include lifting restrictions on foreign ownership, simplifying investment approval processes, enhancing transparency measures to create a more favourable environment for American investors and ratifying [several international agreements](#) listed below.

Impact of the Ratification of International Agreements for Bangladesh

Agreement	Focus	Impact on Bangladesh	Challenge	Opportunity
Berne Convention	Copyright protection	Strengthens IP rights in creative works	Enforcement capacity	Boosts creative exports
Brussels Convention	Cross-border enforcement of judgments	Improves dispute resolution and investor confidence	Legal system adaptation	Enhances investor protection

Budapest Treaty	Patent filing standardization (biotech)	Facilitates biotech patents	Technical infrastructure	Encourages innovation investments
Marrakesh Treaty	Accessible books for disabled persons	Promotes inclusive education	Implementation costs	Improved social inclusion
Singapore Treaty	Trademark registration simplification	Streamlines brand protection	Administrative changes	Supports brand development
WIPO Copyright Treaty	Digital copyright enforcement	Updates laws for digital content protection	Monitoring online infringement	Boosts digital economy
Patent Law Treaty	Harmonized patent applications	Speeds up patent process	Patent office readiness	Attracts innovation
Hague Agreement	Industrial design protection	Simplifies international design registrations	Legal updates	Promotes design innovation
Paris Convention	Industrial property rights and priority	Strengthens IP protection across industrial sectors	Coordination among IP offices	Enhances innovation and foreign investment

3. Bangladesh-USA Bilateral Trade and Import Duty Scenario for Top 5 Products (2020-2024)

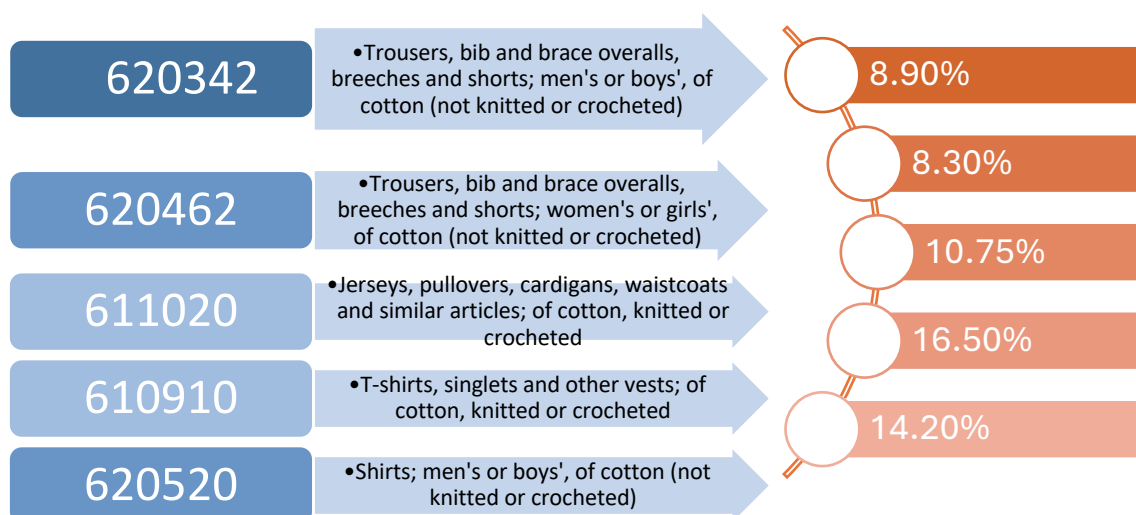
The International Trade Administration (ITA) notes that all globally traded goods are classified under a unique Harmonized System (HS) code, developed by the World Customs Organization (WCO). This standardized six-digit code, often extended by countries for tariff and statistical purposes, ensures uniform trade reporting, supports tariff application, and enables analysis of trade flows across 200+ economies.

Based on the annual trade values, the top five import and export products have The top five import and export products (based on annual trade values) were analyzed using six-digit HS codes for comparability. U.S. tariffs on Bangladesh's exports were calculated from average MFN rates (USITC), while Bangladesh's import duties on U.S. goods used Total Tax Incidence (TTI) data. Estimating duties this way highlights the tariff asymmetry between Bangladesh's concentrated apparel exports and its more diversified imports.

Source: UN Comtrade, USITC, ITA, NBR and Bangladesh Customs

Top 5 Products Exported to USA from Bangladesh

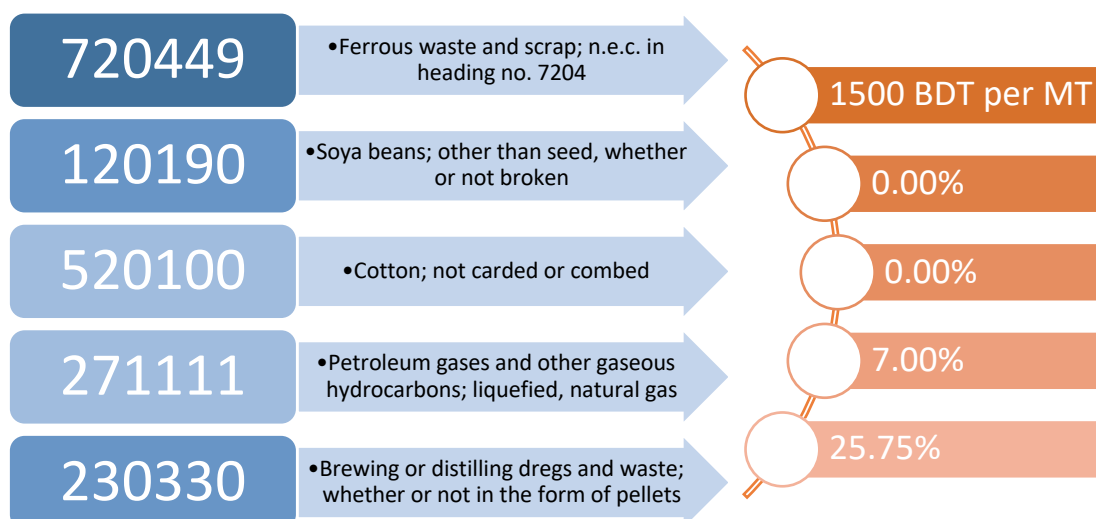
HS code-six digits with the product description and respective MFN rate.



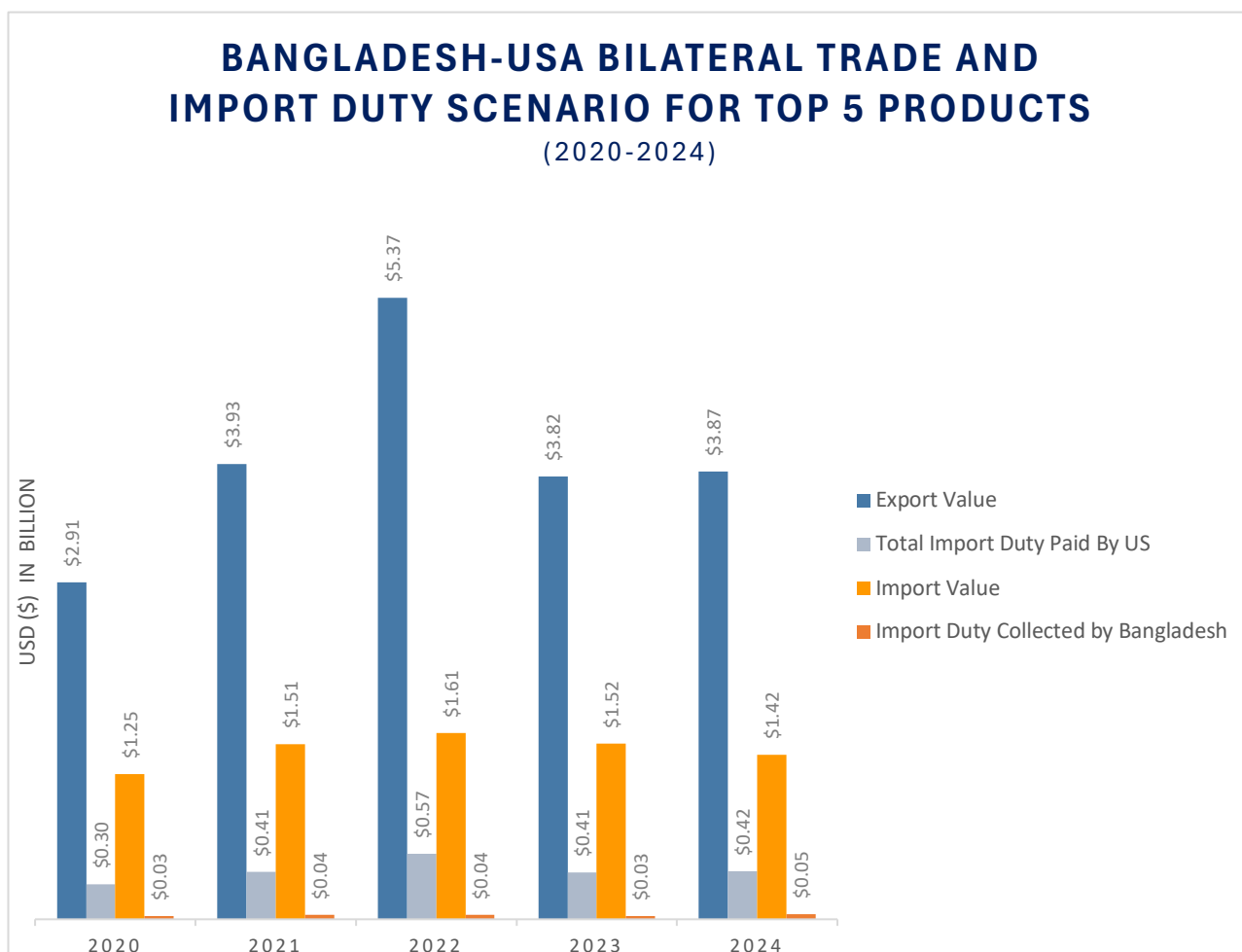
Source: USITC, UN Comtrade, NBR and customs.gov.bd

Top 5 Products Imported from USA to Bangladesh

HS code-six digits with the product description and respective Total tariff incidence (TTI) rate.



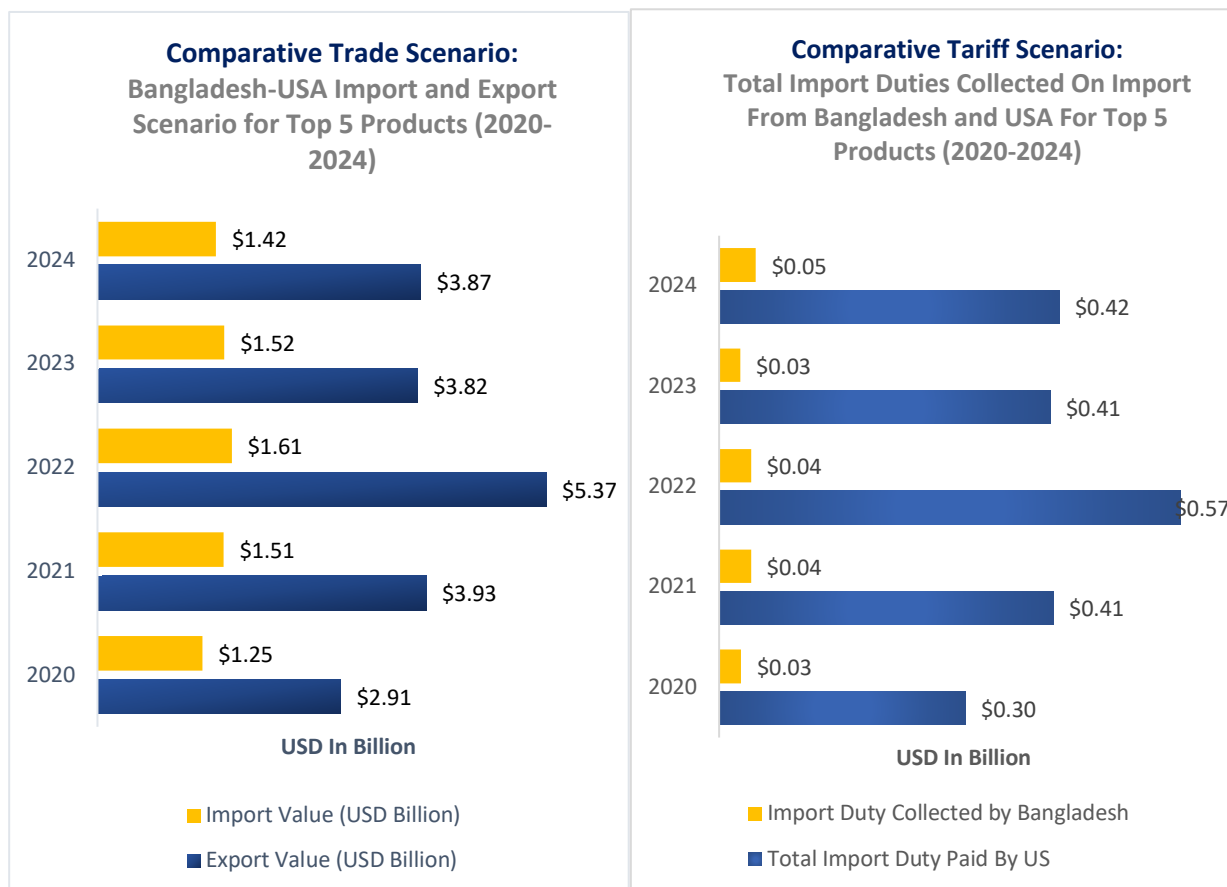
Source: USITC, UN Comtrade, NBR and customs.gov.bd



Source: Estimated from USITC, UN Comtrade and NBR

In 2020–2024, Bangladesh’s exports to the U.S. rose from USD 2.91 billion to a 2022 peak of USD 5.37 billion before easing to USD 3.87 billion, while U.S. import duties on these goods fluctuated sharply. Imports from the U.S. stayed steady at USD 1.25–1.61 billion before slipping to USD 1.42 billion in 2024, with Bangladesh collecting minimal duties reflecting low tariffs or exemptions and an asymmetry in tariff exposure.

Comparative Graphical Representation of the Analysis of Bangladesh-USA Trade



Source: Estimated from USITC, UN Comtrade and NBR

Interpreting Bangladesh–USA Trade and Tariff Data: Insights from Top Five Products

Apparel Dominated Export

- Exports from Bangladesh to the U.S. are concentrated mainly in apparel (HS codes: 620342, 620462, 611020, 610910, 620520). Export values have steadily increased from \$2.91B in 2020 to \$5.37B in 2022, slightly decreasing to \$3.87B in 2024. This concentration shows vulnerability, as any U.S. trade policy change (like tariffs) will disproportionately impact the apparel sector.

Diversified Imports

- Bangladesh imports from the U.S. include products under HS codes 720449, 120190, 520100, 271111, 230330. Import values are smaller than exports but more diversified. This creates an asymmetry, where Bangladesh heavily relies on the U.S. for specific imports while its exports are highly concentrated.

Import Duty Dynamics

- Bangladesh collects relatively small import duties on U.S. imports (\$0.03–\$0.05B). The total import duty paid by U.S. importers on Bangladeshi exports is higher (\$0.30–\$0.57B), showing that Bangladesh benefits from duty-free or preferential treatment in most cases.

Trade Imbalance

- The current trade relationship between Bangladesh and the United States is marked by a structural imbalance. Bangladesh enjoys a persistent trade surplus with the U.S., largely driven by its concentrated export basket dominated by apparel and textiles, while its imports from the U.S. remain limited to a few products. From the U.S. perspective, this translates into a sizeable bilateral trade deficit.

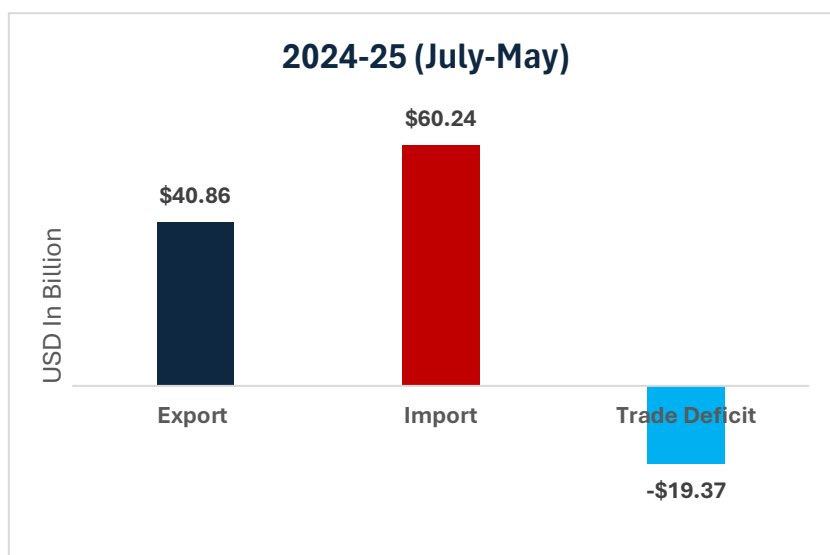
4. Impact of the new US Tariffs on Bangladesh's Trade, Payments, and Revenue

Impact of Balance of Trade in Bangladesh

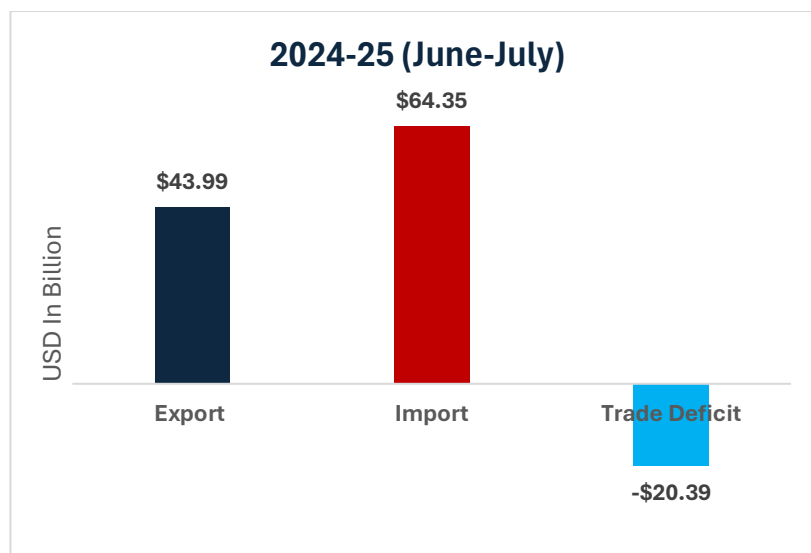
1: Balance of Trade (before 20% Tariff Rate)



2: Balance of Trade (after 37% Tariff Rate)



3: Balance of Trade (after 20% Tariff Rate)

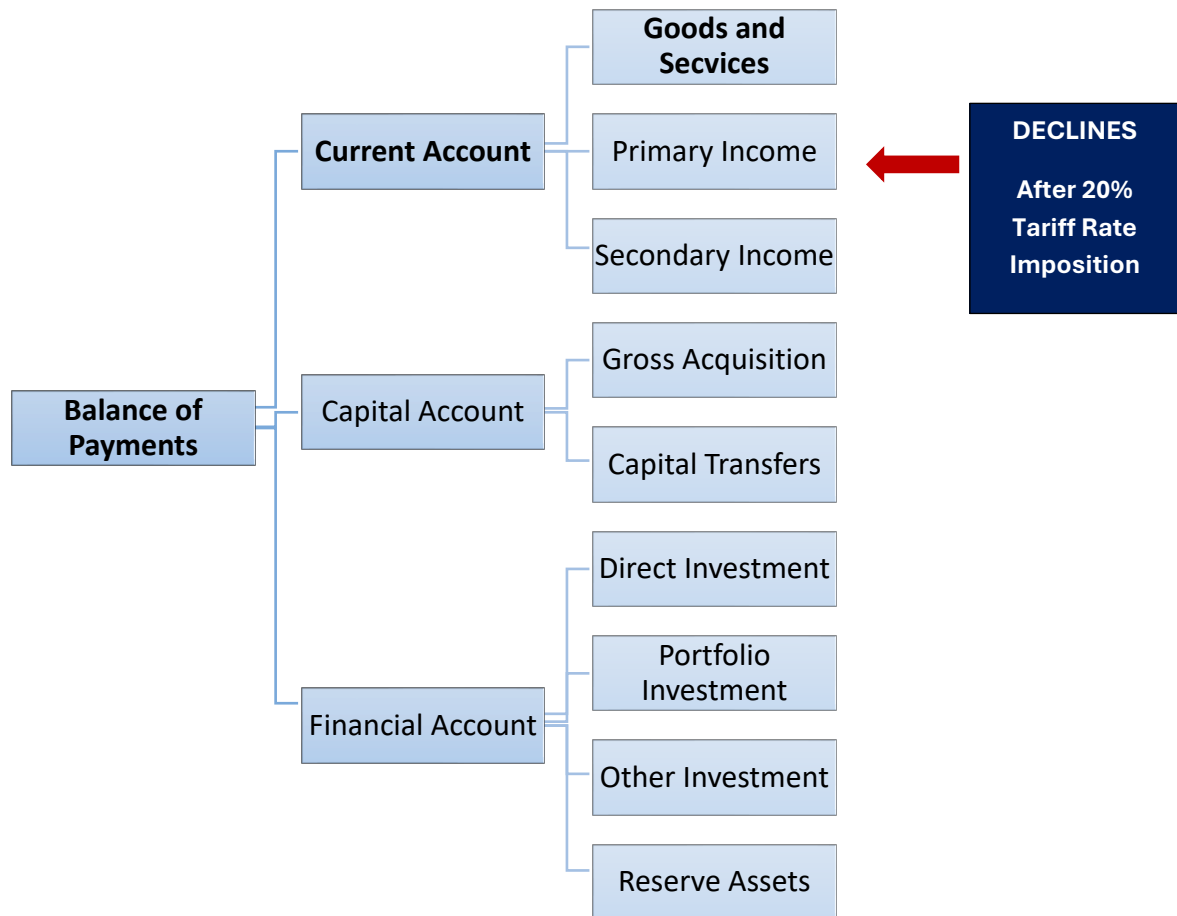


Source: Bangladesh Bank

Following the 20% reciprocal tariff on Bangladeshi exports to the U.S., subsequently proposed to rise to 37%, Bangladesh's export revenue and trade balance faced potential pressure due to higher costs for U.S. importers. Preliminary estimates indicate a reduction in export competitiveness, particularly in the garment and textile sectors, which constitute the bulk of Bangladesh's exports to the U.S. However, strategic procurement agreements, such as bulk imports of U.S. wheat, cotton, and aircraft, were implemented to mitigate the tariff's adverse impact on bilateral trade, partially sustaining Bangladesh's export revenue and limiting the deterioration of its trade balance.

Source: Reuters, Financial Times

Impact of Balance of Payment in Bangladesh



Source: Bangladesh Bank, CPD, The Financial Express

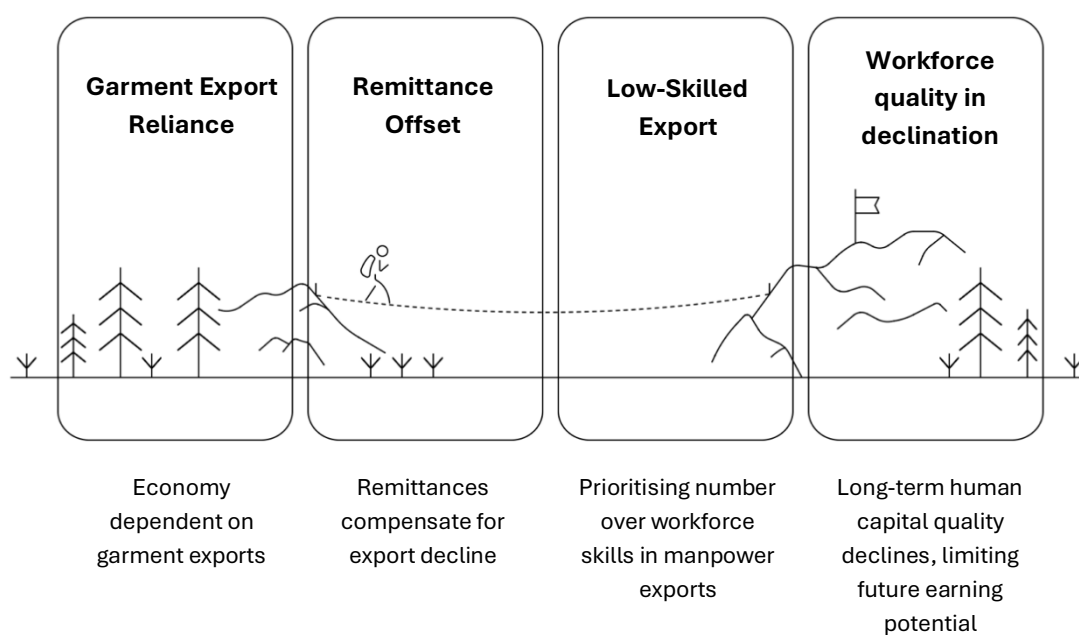
After the announcement of a 20% tariff on Bangladeshi exports by the USA, Bangladesh's export revenues are likely to decline due to higher costs for US importers. This reduction in exports would decrease foreign currency inflows, thereby worsening the current account of Bangladesh's balance of payments. Unless offset by other inflows such as remittances or foreign investment, the overall balance of payments position may experience a deficit pressure.

5. Domino Effect: From BoP Recovery from Overseas Employment to a Race to the Bottom in Workforce Quality

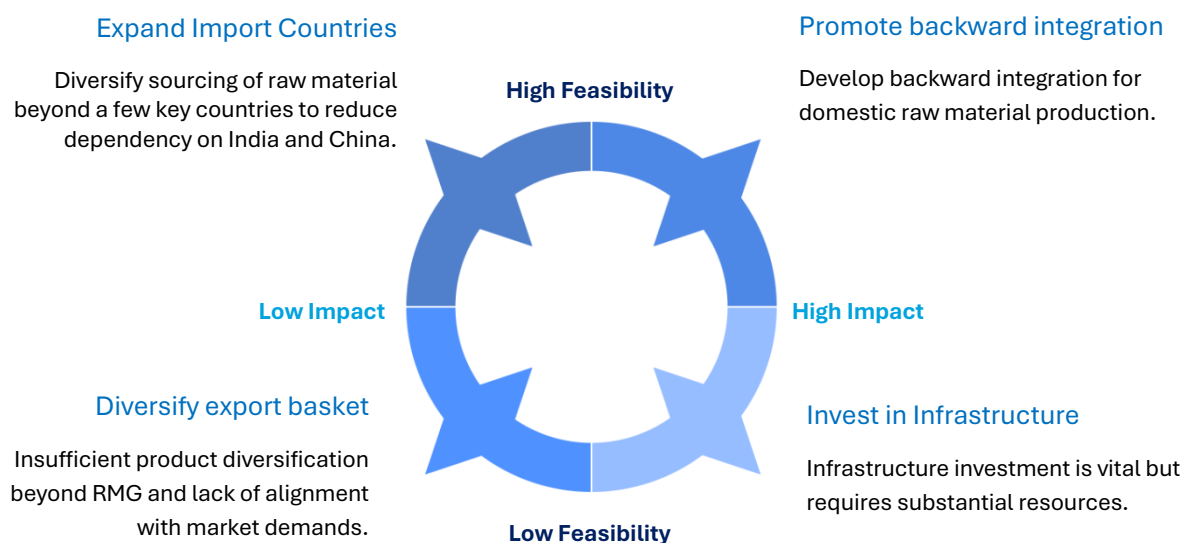
To offset the balance of payments gap from reduced exports, Bangladesh is relying on remittances, which have recently hit record highs. This risks a "race to the bottom," where the country prioritizes sending a large volume of low-skilled workers abroad. While this ensures short-term cash flow, it results in the declining of long-term quality of the nation's human capital, limiting its future earning potential.

Tariffs rising lead to negative balance of payments effects, as reduced export competitiveness shrinks foreign exchange earnings. Domestically, increased costs are passed on to consumers and businesses, triggering inflationary pressures and a trickle-down economic impact that strains households and industries alike.

Race to The Bottom: Risks and Consequences

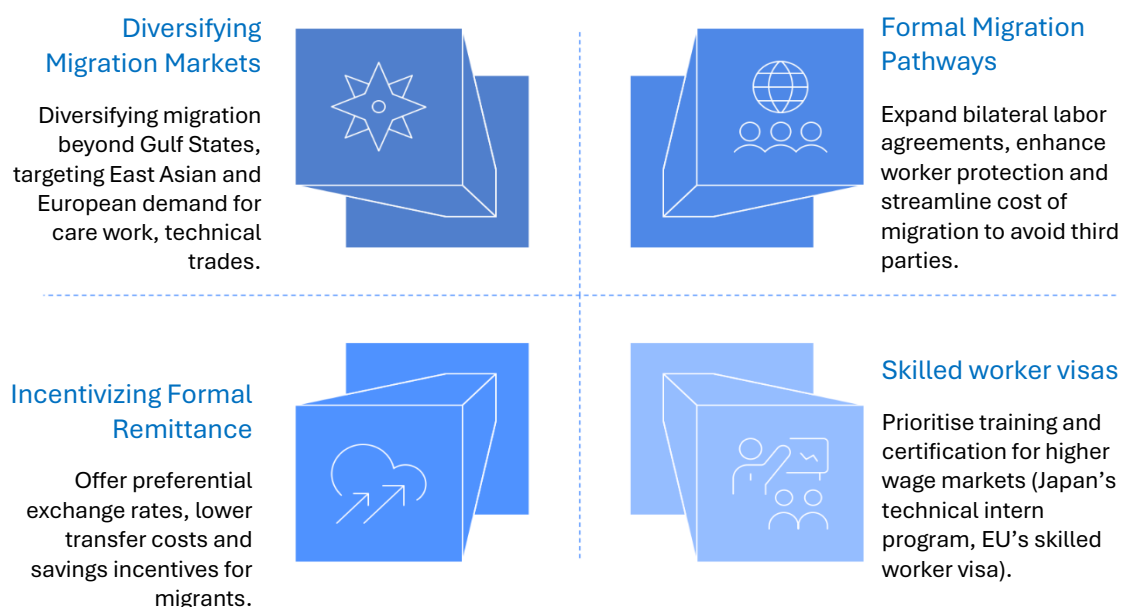


Plan A. Reducing impact of US tariffs



Plan B: Focusing on overseas employment: BoP deficit

Strategies for Remittance Optimization



6. Things to be done irrespective of U.S tariff shocks

Implement structural reforms to build resilience, reduce vulnerability, and boost competitiveness.

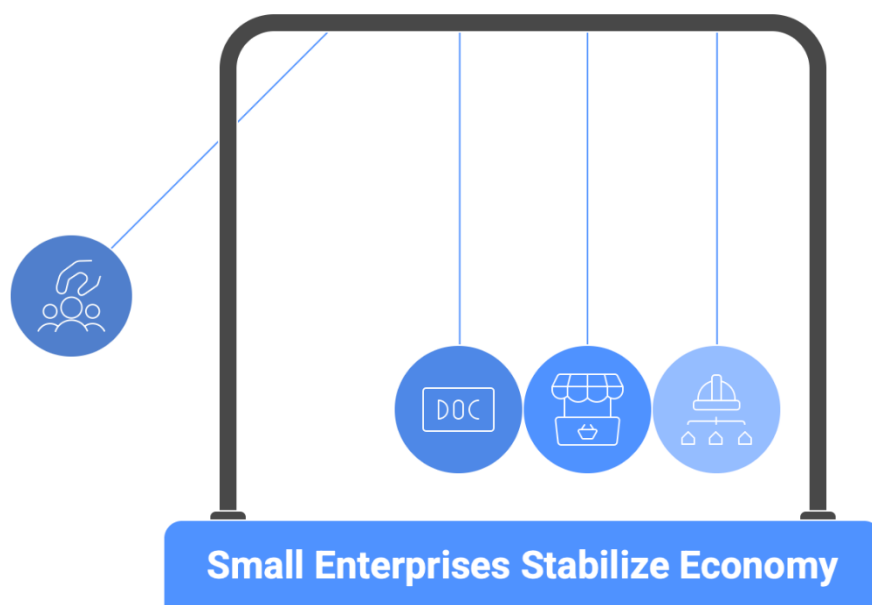
The 5 Pillars of Reform

Pillars	Problem	Action
	Import-duty restructuring and fiscal rebalancing to reduce dependency on it	Heavy reliance on import duties makes government revenue volatile and raises costs for industries that need imported goods • Audit and narrow tariff bands • Phase out exemptions and strengthen VAT and income tax collection • Use targeted, time-bound support for infant industries, not blanket tariffs
	Optimizing domestic industry protection	Blanket protection slows productivity growth and encourages rent capture. • Move from price-based protection (high tariffs) to performance-based support • Lower tariffs for machinery and fabric inputs • Provide support for SME access to low-cost finance and technical training
	Labour & environmental standards upgrading	Non-compliance with international standards on labor rights and environmental due diligence can lead to buyer sanctions and penalties • Facilitate worker voice and collective bargaining • Offer incentives for green and energy-efficient practices • Build a national accreditation and testing capability to signal labour compliance
	Non-tariff barrier (NTB) reduction and trade facilitation	Border clearance inefficiencies and non-tariff barriers are hidden costs that harm competitiveness • Finish the National Single Window (NSW) project and automate customs risk management • Reduce paperwork and harmonize certificates

			Invest in ports and land logistics to speed up transport
	Reducing the cost of doing business and cracking down on corruption	Corruption is a significant transaction cost that hurts competitiveness, deters foreign investment, and drains public revenue	- Automate and digitize fee collection, customs valuation, and procurement - Introduce targeted anti-corruption measures in key areas like customs and ports - Reduce regulatory overlap and simplify business registration

Focus on CMSMEs growth

Why focus on small enterprises is vital amid tariff challenges



Small enterprises absorb labor displaced from vulnerable sectors hit by tariffs, especially in RMG

They sustain rural and urban livelihoods, supporting over 29 million workers in the cottage sector alone (BBS)

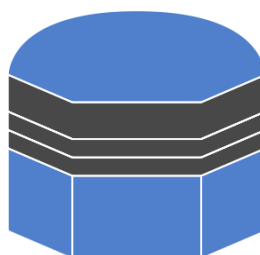
Growth in this sector strengthens Bangladesh's broader economic base, reducing risks from external shocks

Their agility and local embeddedness help them quickly adapt to changing trade environments and tap into domestic consumption and regional markets

Strategies for SME Growth

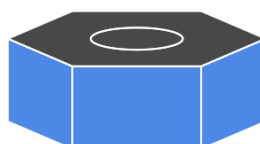
Strategies for Small Enterprise Growth

Access to finance and Inclusive Credit Programs



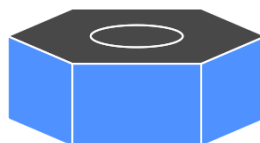
Induce financial literacy through capacity building and focus on **vulnerable groups such as returnee migrants and women**. Make nano-deposit services available through bKash and fintech platforms.

Dedicated platforms, quality certification, and **branding** to boost **competitiveness**



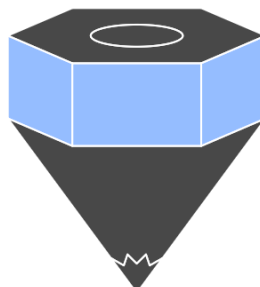
Market access and Branding

Strengthened Diversification of Exports Beyond the US



Incentivize export diversification markets beyond tariff-sensitive US exports, including regional trade through SAFTA and other FTAs

Simplifying business registration and licensing to reduce barriers to formalization; ensure favourable tariff and tax policies that protect and incentivize small enterprises rather than burden them. BSCIC support CMSMEs through training, infrastructure, and advisory services.



Ease of Business Regulations