

## Trump's Tariff Shock To The World: Perspective Bangladesh

On April 2, 2025—dubbed “Liberation Day” by the Trump administration—the U.S. unveiled sweeping “reciprocal tariffs” on goods imported from the rest of the world <sup>1</sup>. U.S. President Donald Trump imposed tariffs on products from all countries, with a minimum of 10% and varying rates for different countries, primarily targeting countries with trade surplus over USA. These tariffs will take effect from April 9th. Bangladesh has USD 6.2 Bn trade surplus (2024) with United States, and a 37% tariff accordingly has been imposed on Bangladeshi products, using Trump's formula <sup>2</sup>.

USA accounts for ~24% of Bangladesh's RMG export (RMG represents 81.3% of total BD exports) <sup>3</sup>, making this tariff imposition a development with multifaceted implications for Bangladesh – affecting not only international trade and external account dynamics, but also the broader relationship with USA. In this report, we are trying to assess an indicative view of developments from global comparative as well as internal dynamics.

### THE GREAT CHESS IN INTERNATIONAL TRADE IS HAPPENING

With USA representing 8% of global trade (2<sup>nd</sup> largest) in 2022 <sup>4</sup>, the new tariffs from USA have created quite a ripple across the globe. While this would increase the effective import tariff rates for USA to 17%-22% <sup>5</sup>, the move aims at rebalancing the global trade dynamics to USA's favour. Meanwhile, countries are adopting measures to cope with shifting dynamics, and it seems primarily two approaches are taken by most:

1. **Retaliatory Actions:** Stronger trade partners have already taken retaliatory steps to counterbalance USA actions. Such lists include China, Canada, UK, and Australia. Notably, these are larger trade partners or with substantial economic strength against USA in international trade. We expect this as a deterrent move to push USA for a reconsideration of terms of trade – this may result in a negotiated terms of trade with USA down the line, with both sides coming to terms.
2. **Submissive Maneuvers:** Except for larger trade partners, most countries are reassessing their terms of trade with the USA to prompt a more accommodating stance. Most of these countries have a trade surplus over USA and have relatively weaker economies, which the USA is likely to leverage during negotiations to force out better terms of trade. However, there's also competitiveness among countries in this cluster, and each country is forced to offer better space to the USA to secure its trade positioning across peers.

### HOW BANGLADESH IS PLAYING THE GAME

Bangladesh's import portfolio for the USA is dominated by RMG products, with Non-Knit Men's Suits constituting 22.2% and Non-Knit Women's Suits making up 12.7% of the pie. Meanwhile, the primary exports from the USA for Bangladesh are Scrap Iron (26.1%), Raw Cotton (15.4%), Soybeans (14.7%) and Petroleum gas (14.8%) <sup>6</sup>.

For Bangladesh, retaliatory approach does not work, owing to sheer economic differences. However, note that with a weak FX reserve scenario, reducing the trade gap is less workable for Bangladesh. Hence, in our view, of the approaches mentioned, only negotiations with sweeteners seems appropriate for Bangladesh from a geo-economic viewpoint.

Already, Chief Adviser (CA) Dr. Muhammad Yunus held an emergency meeting on April 5 with relevant stakeholders to determine Bangladesh's position and formulate the response to USA administration. Reportedly, the National Board of Revenue (NBR) will probably recommend increasing imports of around 15 products from the USA such as plastic



IN SHORT

1. Short-term volatility in exports to USA.
2. Possible reconstitution of import over changed terms of trade.
3. In RMG, we do not expect substantial impact in the mid-long term.
4. Increased FDI opportunities
5. Inflation easing over major commodities cooldown.

<sup>1</sup> <https://apnews.com/article/trump-tariffs-liberation-day-2a031b3c16120a5672a6ddd01da09933>

<sup>2</sup> <https://www.bbc.com/news/articles/c93gq72n7y1o>

<sup>3</sup> <https://www.thedailystar.net/news/bangladesh/news/tariff-twist-leaves-exporters-edge-3864406>

<sup>4</sup> [https://www.wto.org/english/res\\_e/booksp\\_e/wtsr\\_2023\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/wtsr_2023_e.pdf)

<sup>5</sup> <https://www.morganstanley.com/articles/trump-liberation-day-tariff-announcement>

<sup>6</sup> <https://oec.world/en/profile/bilateral-country/bgd/partner/usa#historical-data>

goods, capital machinery, generators and so on <sup>7</sup>. And it appears GoB is walking down that lane with the following approaches as of latest -

1. **Tariff Sweeteners:** As part of efforts to reduce export tariffs, Bangladesh is considering a 50% tariff reduction proposal on imports of gas turbines, semiconductors, and medical equipment from USA. For products that already have no tariffs, the policy of duty-free import will continue <sup>8</sup>.
2. **Beyond Tariff Discussions:** Alongside tariff removal, non-tariff barriers are also being addressed. For example, the requirement for fumigation of U.S. cotton or yarn imports has been lifted, permission has been granted for warehousing U.S. yarn, and priority is being given to purchasing U.S. agricultural and technological products.
3. **Breathing Space:** Chief Advisor Professor Muhammad Yunus will directly communicate with the Trump administration. To facilitate fruitful discussions and decisions, Bangladesh may request a suspension of these tariffs for the next three months.
4. **FDI as an alternative:** Bangladesh will propose special economic zones for top U.S. companies listed in the Fortune 500, such as Walmart, Chevron, Meta, Tesla, and Boeing.

## BEATING COMPETITION: WILL BANGLADESH'S STEPS WORK?

Given the tariff shock, each country is coming up with its plans, and for Bangladesh to retain or improve its trade position, we need to consider how these fares against peer countries. We have taken three sets of peers: regional peers, economic peers (frontier/emerging), and trade partners. Below is a competitive assessment of the tariff shocks:

(For 2024; In USD Bn)

	Criteria	Export to USA	Import from USA	Trade Deficit	Trade Deficit % of Export to USA	Share of US imports	Effective Tariff Imposed <sup>9</sup>
Bangladesh		8.4	2.2	6.2	73.8%	<1%	37%
India	Regional Peers	87.4	41.8	45.7	52.3%	2.7%	27%
Pakistan		5.1	2.1	3.0	58.8%	<1%	30%
Sri Lanka		3.0	0.368	2.6	86.7%	<1%	44%
Indonesia		28.1	10.2	17.9	63.7%	<1%	32%
Thailand	Economic Peers	63.3	17.7	45.6	72.0%	1.9%	37%
Viet Nam		136.6	13.1	123.5	90.4%	4.2%	46%
China	Trade	438.9	143.5	295.4	67.3%	13.4%	54%*
EU	Partners	605.8	370.2	235.6	38.9%	18.5%	20%

Source: United States Trade Representative (USTR) | \*34% additional on previous 20%

Below is an excerpt of how each of these countries are coping up :

### INDIA

- USA accounts for a significant share of India's top value-earning exports: 26% of Telecom & IT equipment exports, ~30% of pharmaceuticals, and over 40% of precious metals exports.
- India is expected to pursue a diplomatic course rather than retaliatory measures, largely due to the concentrated exposure of its export basket to American demand.
- Reuters reported India is willing to negotiate tariff cuts for US import worth USD 23 Bn <sup>10</sup>.
- India seeks to ramp up energy purchase (from current USD 15 Bn to USD 25 Bn) and defense products from USA .

<sup>7</sup> <https://www.thedailystar.net/business/economy/news/bangladesh-earned-tk-1500cr-tariff-us-imports-fy24-3864346>

<sup>8</sup> <https://www.prothomalo.com/business/economics/4yxpx8f4a2>

<sup>9</sup> <https://www.aljazeera.com/news/2025/4/3/trumps-tariffs-which-countries-will-hit-back-and-which-likely-wont>

<sup>10</sup> <https://www.reuters.com/world/india/indias-steps-win-over-us-president-trump-avert-tariffs-2025-03-28/>

- India slashed customs duties on luxury cars, solar cells and machinery lowering average tariffs to below 11% from 13%.

## PAKISTAN

- Textiles and apparel contribute ~60% of Pakistan's total exports <sup>11</sup>. In FY24, Pakistan's textile exports to the US totaled USD 5.0 Bn, representing ~92% of the total exports to USA <sup>11</sup>.
- Pakistan is actively pursuing negotiations with the USA and plans to send a high-level delegation to Washington <sup>12</sup>.
- To address the economic implications of the new tariffs, the Finance Minister has established two specialized committees tasked with developing a response strategy and a proposal to present to U.S. officials <sup>12</sup>.

## SRI LANKA

- Sri Lanka's apparel export contributed ~30% of total export earnings in 2024 <sup>13</sup>. However, the USA market accounts for ~40% of the country's apparel exports <sup>14</sup>.
- Sri Lanka's economy saw a turnaround on the back of agriculture, industry, and service sector, with GDP expanding by 5% in 2024 <sup>15</sup>.
- With anticipated growth in 2025, the tariff imposition could offset the country's recovery from a severe financial crisis triggered by a shortfall of dollars three years ago <sup>16</sup>.
- The government announced a task force which would work closely with Joint Apparel Association Forum (JAAF) whilst staying within the limitations of Sri Lanka's ongoing IMF program <sup>17</sup>.
- Sri Lanka has indicated to substantially reduce tariff and non-tariff barriers with USA <sup>16</sup>.

## VIETNAM

- In 2024, US goods trade with Vietnam totaled USD 149.6 Bn, with imports at USD 136.6 Bn and exports at USD 13.1 Bn, showing a US trade deficit of USD 123.5 Bn <sup>18</sup>.
- RMG is moderate, with exports like Footwear (USD 12.5B) and Textiles (USD 11.3B) in 2023, forming a notable portion of its USD 136.6 Bn in US imports <sup>19</sup>.
- Vietnam's exports to the US account for 30% of its GDP, making it vulnerable to tariffs <sup>20</sup>.
- RMG exports to the US in 2024 were approximately USD 15.3 Bn, based on January-November data of USD 13.77 Bn <sup>21</sup>.
- Vietnam's Lam pledges to remove duties and urges the USA to reciprocate, aiming to avoid 46% export tariffs following a productive call with Trump <sup>22</sup>.

## THAILAND

- Thailand, a major global exporter of electronics, machinery, and rice recorded exports totalling USD 300 Bn in 2024 <sup>23</sup>. A significant portion—approximately one-fifth—of these exports are destined for the United States, which includes high-value goods such as mobile phones, computers and accessories, car tyres, semiconductors, and transformers.

<sup>11</sup> <https://profit.pakistantoday.com.pk/2025/04/04/pakistans-textile-exports-to-be-badly-hit-by-new-us-29-tariff/>

<sup>12</sup> <https://economictimes.indiatimes.com/news/international/world-news/not-to-let-crisis-go-waste-pakistan-says-us-tariffs-opportunity-for-new-negotiations/articleshow/120015463.cms?from=mdr>

<sup>13</sup> <https://www.srilankabusiness.com/apparel/about/export-performance.html>

<sup>14</sup> <https://www.reuters.com/markets/asia/trump-tariff-shock-stings-bangladesh-sri-lanka-garment-giants-may-help-india-2025-04-03/>

<sup>15</sup> <https://www.reuters.com/markets/asia/sri-lankas-economy-grew-5-2024-rebounding-crisis-2025-03-18/>

<sup>16</sup> <https://www.reuters.com/markets/asia/sri-lanka-says-it-is-committed-substantially-reduce-tariff-non-tariff-barriers-2025-04-04/>

<sup>17</sup> <https://www.yahoo.com/news/sri-lanka-assembles-task-force-154531682.html>

<sup>18</sup> <https://ustr.gov/countries-regions/southeast-asia-pacific/vietnam>

<sup>19</sup> <https://oec.world/en/profile/bilateral-country/usa/partner/vnm>

<sup>20</sup> <https://www.reuters.com/markets/vietnam-us-exports-account-30-gdp-making-it-highly-vulnerable-tariffs-2025-02-25/>

<sup>21</sup> <https://www.tbsnews.net/economy/rmg/apparel-exports-us-grew-416-november-2024-1039951>

<sup>22</sup> <https://www.reuters.com/markets/asia/vietnam-foreign-ministry-says-regrets-us-tariff-decision-2025-04-04/>

<sup>23</sup> <https://thailand.prd.go.th/en/content/category/detail/id/52/iid/359226>

- However, the recent announcement of a proposed 37% reciprocal tariff by the United States is expected to have a substantial economic impact, resulting in export losses of up to USD 26 Bn (THB 880 Bn) <sup>24</sup>.
- In response, the Thai government is proactively engaging in negotiations with the U.S. to mitigate the effects of the proposed tariff.
- Efforts include proposals to boost imports of American products—particularly in the areas of energy, aircraft, and agriculture—while seeking to remove trade barriers and promote greater bilateral cooperation <sup>25</sup>.

## INDONESIA

- According to the Ministry, the tariff will primarily impact export-dependent sectors such as textiles, electronics, and palm oil.
- In response, Indonesia is considering negotiations with U.S. delegates to reduce tariffs and ease trade barriers.
- Discussions may include cooperation in areas such as agricultural products (soybeans, wheat), clean economy initiatives (carbon capture and storage), and critical minerals.
- Additionally, Indonesia is coordinating with Malaysia, the current ASEAN chair, to explore joint measures in addressing the tariff issue <sup>26</sup>.

## CHINA

- In 2024, US goods trade with China was USD 582.4 Bn, with imports at USD 438.9 Bn and exports at USD 143.5 Bn, resulting in a US trade deficit of USD 295.4 Bn <sup>27</sup>.
- RMG is less dominant, with exports focusing on machinery (USD 307 Bn) and electronics (USD 158 Bn), suggesting a lower relative impact from the 34% tariff <sup>28</sup>.
- RMG exports to the US in 2024 were around USD 16.7 Bn, based on January-November data of USD 15.22 Bn.
- In response to the USA's Tariff, China retaliated with 34% tariffs on US imports <sup>29</sup>.

## EUROPEAN UNION

- The EU, holding the second-largest trade deficit with the US after China, maintains significant leverage to respond firmly to any reciprocal tariff announcements from the Trump administration.
- Based on historical precedents, proportionate countermeasures are expected, with a strategic focus on sectors where the US has sufficient export volume to feel material impact, yet where EU buyers have access to alternative sources to mitigate cost pressures.
- For instance, following the US imposition of a 25% tariff on imported metals, the European Commission enacted retaliatory tariffs worth EUR 4.5 Bn on American goods such as whiskey, jeans, and Harley-Davidson motorcycles.
- Additionally, the Commission proposed a further EUR 18 Bn in counter-tariffs targeting US exports across agriculture and consumer staples, including food grains, soybeans, and poultry—bringing the total potential retaliatory value to EUR 22 Bn <sup>30</sup>.

We note that this is an early stage and much more to happen down the line from all stakeholders. In broad brush, given USA's forced tariff pushes, trade terms and bilateral relationships would see substantial changes, and poses some impact over economic relationship of Bangladesh with USA. Our notable focus would be on RMG, where we believe Bangladesh would continue to retain strong foothold from its innate competitive footing (please see below).

<sup>24</sup> <https://www.nationthailand.com/business/economy/40048336>

<sup>25</sup> <https://www.nationthailand.com/business/economy/40048405>

<sup>26</sup> <https://www.straitstimes.com/asia/se-asia/indonesia-seeks-negotiations-with-us-on-trumps-tariffs-pledges-to-ease-trade-barriers>

<sup>27</sup> <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>

<sup>28</sup> <https://oec.world/en/profile/country/chn>

<sup>29</sup> <https://www.theguardian.com/business/2025/apr/04/china-announce-levy-on-us-imports-in-retaliation-to-donald-trump-trade-war-tariffs>

<sup>30</sup> <https://www.theguardian.com/us-news/2025/mar/12/eu-retaliates-against-trump-tariffs-with-26bn-countermeasures>

## ADDITIONAL DYNAMICS

### TRADE EXPOSURE: RECONSTITUTION EXPECTED

In 2024, Bangladesh exported USD 8.4 Bn in goods to the USA, largely dominated by RMG products. The USA alone accounts for 24% of Bangladesh's total RMG exports, a concentration that amplifies its vulnerability. With thin net margins and rising wage costs, Bangladesh's RMG exporters have limited room to absorb a 37% tariff without eroding profitability or losing competitiveness. One possible mitigation is onboarding more RMG input from USA, which is already being discussed. However, these are going to have cost implications and would require Buyer's approval to make it workable. In addition, given our concentrated export basket, we expect to see GoB focusing on reconstituting our trade composition to soften the blow and build better resilience. Alongside, we may see diversification of import sources with major trading partners, notably in minerals, raw materials, agri-commodities, services, and energy.

Vietnam and China, while also exposed, benefit from more diversified export baskets and broader industrial bases. Vietnam's US-bound exports equate to 30% of its GDP, suggesting high vulnerability, yet its manufacturing efficiency and broader product range offer partial insulation. China, exporting higher-margin electronics and machinery, faces a larger impact. As RMG peers, impact to those economies would aid Bangladesh, notably from a possible shift from China.

### CURRENCY: HOW WE PERCEIVE USD-BDT STABILITY

There remains a growing voice over US Fed to cut interest rates to offset the tariff impacts. Should the U.S. Federal Reserve end up cutting rates more than expected, there's a good chance the USD could lose some of its strength <sup>31</sup>. That would likely happen if recession risks in the U.S. deepen — something that's becoming more likely given recent market turmoil and the impact of higher tariffs, which could act like a massive tax shock. As treasury yields drop and investors start shifting away from USD assets, the global demand for USD could cool off, even if inflation stays sticky in the USA <sup>32</sup>.

In that case, the Bangladeshi Taka (BDT) might catch a break. A softer dollar tends to ease the pressure on currencies like the BDT, especially since it makes imports—like fuel and industrial inputs—cheaper. If import costs come down, remittances hold up, and the current account improves, it could create room for the BDT to stabilize or even appreciate slightly in the coming months.

That said, the local situation still plays a big role. If Bangladesh Bank sticks to its current policies, keeping interest rates steady and moving forward with IMF-backed reforms, it could help build confidence in the BDT. However, there are still risks, for example, import reconstitution turning out more expensive or a shock to exports could affect BDT, though the probability is distant.

### ADDITIONAL TAILWINDS IN BANGLADESH'S FAVOR

1. **Commodity Tailwinds:** A global recession worry is prompting a commodity slowdown. As a net importer, BD is to get benefit out of this, essentially at a time when inflation reduction efforts are underway.
  - a. Following the tariff declaration, OPEC+ decided to expand oil production from May 2025, prompting Goldman Sachs to reduce the WTI price forecast to USD 62.0/barrel for Dec 2025 <sup>33</sup>.
2. **FDI Realignment:** Rising duties may prompt Chinese and regional firms to reallocate production into tariff-exempt jurisdictions. Bangladesh's competitive labor cost could attract FDI in RMG and light engineering.
3. **Don't forget the Economist:** we expect the active leadership, headed by Nobel laureate Dr. Younus, to perform substantially better in economic decision making to work this out faster and efficiently.

<sup>31</sup> <https://www.barrons.com/articles/fed-interest-rates-powell-trump-e897cc51>

<sup>32</sup> <https://www.cnbc.com/2025/04/04/trump-tariffs-jerome-powell.html>

<sup>33</sup> <https://www.cnbc.com/2025/04/04/why-opec-is-accelerating-oil-production-as-prices-tank-tariffs-hit.html>

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## POSSIBLE HEADWINDS

We understand that apart from a few countries, most of the developing and frontier economies plan to negotiate with USA, the latter plans to enhance its own exports. On the other end, countries like China and EU plans to expand the retaliation. An uncertain aspect of the tariff war is China's surplus factory capacity, which could flood the global supply chain with low-cost products, putting pressure on many export-focused economies.

## SO HOW DOES THIS IMPACTS BANGLADESH

1. Short-term volatility in exports to USA. Possible reconstitution of import over changed terms of trade.
2. In RMG, we do not expect substantial impact in the mid-long term.
3. Increased FDI opportunities, notably in non-RMG space (i.e. Light Engineering, IT, Energy)
4. Inflation easing over major commodities cooldown.

**We expect to see more substantial development ahead and will add periodic updates accordingly.**



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