

Impact of U.S. Tariff Policy on Bangladesh's RMG Sector and the overall Economy: A Comparative Trade Analysis

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Abstract

The Bangladesh ready-made garment (RMG) sector is one of the pivotal industries in the country's export trade and is heavily reliant on access to key international markets, such as the USA. As a result, the competitive backdrop in which Bangladeshi apparel exporters function will be affected by the changes in the U.S. trade and tariff policy. This study compares Bangladesh's tariff landscape to the evolving U.S. tariff regime based on the case studies of ten export countries for garments: China, India, Pakistan, Vietnam, Indonesia, Sri Lanka, Cambodia, Ethiopia, Mexico, and Honduras. The study uses descriptive, qualitative, and comparative type of research, which is secondary data research. It relies on trade-weighted U.S. tariff estimates provided by the UN Trade and Development (UNCTAD) Tariff Dashboard, which are based on import values for 2024, and looks at overall tariff exposure and manufacturing, agriculture, fuel and mining, and other goods. The analysis is explained by using Comparative Advantage Theory, the Heckscher–Ohlin model, Protectionism Theory, and New Trade Theory. The result indicates that Bangladesh is a relatively highly tariff-exposed country among the selected countries. It has been reported that its overall trade-weighted tariff is 35.31%, which is second highest among G-7 countries, behind China's 37.97%. In manufacturing, Bangladesh has an estimated exposure of 25.37%, which is still higher than most of the selected competitors, with slightly higher estimates for China and Ethiopia. Also, there is a significant difference in the sectoral analysis on product levels and Bangladesh does not have any observations for fuel and mining in the source data. In addition, the study makes clear that the UNCTAD trade-weighted estimates are not necessarily comparable to the 19% rate of mutual tariffs to be implemented under the U.S.-Bangladesh Agreement of the 17th

of February, 2026, because they are two distinct measures and should not be confused with one another. In general, the results show that the competitiveness of Bangladesh's exports to the U.S. market is not only based on its current production advantage in labor-intensive apparel but also on the changing market-access conditions. The study thus emphasizes the need to strengthen the process of trade negotiation, export and market diversification, productivity enhancement, upgrading technology, compliance, and tariff monitoring. The findings of this descriptive study are broadly descriptive rather than directly causative of exports, employment, foreign exchange earnings, or economic growth, due to the nature of the study.

Keywords: Bangladesh, u.s. Tariff Policy, Ready-Made Garments, Trade-Weighted Tariff Exposure, Export Competitiveness, International Trade, Market Access, Trade Diversification

Introduction

Background of the Study

The ready-made garment (RMG) industry is a major part of Bangladesh's export-oriented economy, generating significant foreign exchange earnings, industrial jobs, and connecting the country to global production chains. Its export performance is a good indicator of the importance of the sector. In 2024, Bangladesh's total RMG exports amounted to USD 38.48 billion, with the US being the country's top single-country RMG market with about USD 7.2 billion worth of exports, representing around 18.72% of the nation's total RMG exports (Export Promotion Bureau Bangladesh [EPB], 2024).

This is a sizeable trade relationship; hence, the relevance of the trade policy of the United States for the apparel sector in Bangladesh. The impact of the tariff treatment is on the conditions in which Bangladeshi products compete with apparel suppliers from other countries in the US market. An analysis of tariff exposure, however, cannot be done from a single headline tariff rate. Applied US tariffs are the result of the interplay of current tariff provisions, exemptions, industry-specific provisions, and more recent country-specific tariff actions. UN Trade and Development (UNCTAD) thus calculates the overall tariff position of exporting economies by taking the trade-weighted average of the actual tariff rates of their exports to the United States in 2024, and applying the tariff rates on the HS 8-digit level (UN Trade and Development [UNCTAD], 2026).

The US tariff situation was dramatically different in 2025, as the United States instituted several reciprocal and sectoral tariff policies. The measures changed the relative tariff situation of the various exporting economies. UNCTAD's evaluation indicates that the tariff changes implemented in recent years are having a significant impact on the level of tariff exposure among exporters, with considerable variation among countries and sectors, thus increasing the importance of measuring the tariff exposure of exporters to the US market (UNCTAD, 2026).

The policy landscape for Bangladesh continued to evolve in February 2026. Under the Agreement on Reciprocal Trade, the United States and Bangladesh agreed that imports from Bangladesh will be eligible for an import duty of 19%, and some specific products under the scope of the Agreement will be eligible for an import duty of 0%. This policy measure should be separated from the overall trade-weighted tariff indicators provided by UNCTAD. These two measures are not equivalent, and should not be used as synonyms.

The difference in treatment is significant to Bangladesh as the tariff rates on Bangladeshi goods affect the competitiveness of Bangladeshi suppliers in the US apparel market, while the conditions of competing suppliers affect their competitiveness as well. Bangladesh is a competitor to other major apparel exporting economies such as China, Vietnam, India, Pakistan, Indonesia, Cambodia, etc. The relative cost conditions facing exporters to supply the same market can also be different due to the difference in tariff treatment. Meanwhile, the price difference between countries is just one factor to consider in export competitiveness, with production costs, productivity, exchange rates, logistics, product mix, compliance, market access, and buyer choices being the other factors.

The existing literature has already confirmed the significance of international trade and the tariff situation for export performance and competitiveness. Protectionism studies have demonstrated that tariff expansions can impact trade flows and distribution of protection benefits and costs within countries and across industries (Fajgelbaum et al., 2020). Research related to export competitiveness and comparative advantage in Bangladesh has also been conducted. Hasan and Islam (2013) analyzed the export performance of the RMG sector in Bangladesh to important markets, and Ali, Kabir, and Uddin (2017) analyzed Bangladesh's revealed comparative advantage and competitiveness with regard to major competitors of the RMG industry after the US GSP suspension. They looked at China, India, Sri Lanka, Vietnam, Pakistan, Cambodia, and Turkey, and emphasized the significance of competitive conditions in key markets.

Kabir, Ali, and Uddin (2018) further found that apparel was the country's big export-potential sector in the world market, EU-West European market, and US market based on Bangladesh's comparative advantage analysis. These studies help to establish the foundations of Bangladesh's existing RMG advantage, but most studies focus on past competitiveness and comparative advantage and not the present US tariff system that is measured by trade-weighted tariffs.

Studies on the effects of the changing US tariff environment on the RMG sector of Bangladesh have also commenced in recent years. For instance, a study by the Center for Entrepreneurship Development at BRAC University, in cooperation with Columbia University and with support from the International Growth Center, has been conducted on the impact of the US tariff policy changes on production decisions, cost, and factory operations based on the evidence of around 1,500 RMG factories for a research project in 2025. Such work is significant, but is not the present study. This study does not attempt to quantify tariff exposure at the firm level or factory level but rather at the comparative level of tariff exposure in Bangladesh, across the selected major countries that export garments and across broad product groups.

It is not the absence of research on US tariffs and Bangladesh here that is the research gap, however. Instead, it is the lack of integrating the new developments in US tariffs, comparison across countries, and tariff exposure for different sectors in a single description of Bangladesh's relative position to other exporters of garments. This is especially relevant following the tariff adjustments made in 2025 and the subsequent U.S.-Bangladesh Agreement in February 2026. A new Comparative Assessment can help clarify how

Bangladesh fares compared with other exporters, and which general product categories are responsible for tariff variation.

In this backdrop, the current study analyzes the tariff exposure of Bangladesh in relation to some major garment exporting countries. It highlights the shifts in overall and sectoral tariff estimates for manufacturing, agriculture, fuel and mining, as well as other goods and situates these results in the context of Bangladesh–US trade. The study also takes into account the implications of such tariff disparities for the competitiveness of Bangladesh's RMG exports and greater vulnerability.

The study is qualitative and analytical-descriptive, using secondary data. It does not try to quantify any causal impact of the US tariff changes on the volume of exports, employment, foreign exchange earnings, or economic growth in Bangladesh. Rather, it relies on comparative tariff evidence to understand the relative exposure of Bangladesh and other exporting competitors to these tariffs, as well as to determine the general nature of the trade-policy issues involved in shifts in US market access conditions.

The study's contribution to the existing literature is in three ways. First of all, it offers a fresh comparative analysis of the US tariff exposure of Bangladesh and some of its leading competitors in garments. Second, it clarifies that it is not a duty on the specific reciprocal measure in the U.S.-Bangladesh agreement to be put in place in February 2026, but a duty on the trade-weighted tariff estimate. Third, it brings comparative tariff evidence in the context of the overall issue of Bangladesh's export competitiveness and its structure of dependence on the RMG sector, but does not make unsupported causal attributions.

Statement of the Problem

Access to the major export markets is an important economic concern for Bangladesh since it is heavily reliant on the RMG sector. Bangladesh exported RMG worth nearly USD 38.48 billion in 2024, of which nearly USD 7.2 billion was shipped to the United States (EPB, 2024). Because the U.S. market is so significant, it's important to evaluate changes in the conditions of accessing that market and, particularly, differences in conditions between competing suppliers.

Since the implementation of the U.S. tariff measures in 2025 and the U.S.-Bangladesh Agreement on Reciprocal Trade in February 2026, the situation has become more complicated. The agreement had set a tariff rate of 19% for imports from Bangladesh, but with product-level exceptions. The current estimates of trade-weighted tariffs in this study also account for the mix of imports into the United States from each country and multiple tariffs. UNCTAD's methodology thus enables a comparison of tariff exposure between countries and between sectors but does not imply a single country- or sector-wide tariff.

Another worry is the relative position of Bangladesh in the competition of garment exporters. Different countries are subject to different tariffs in the U.S. market, including China, Vietnam, India, Pakistan, Indonesia, Cambodia, Sri Lanka and other countries. These differences are important because the exporters have to compete with each other in the same market segment under different trade-policy regimes. The tariff status of Bangladesh cannot be judged without taking into consideration the rate in conjunction with its other components.

A comparative approach is needed to assess if Bangladesh is exposed to relatively high or low tariffs as compared to the key competition and if the situation varies across product groups. Comparative advantage and export competitiveness have been analyzed in some previous studies on Bangladesh exports, such as Bangladesh export competitiveness vis-à-vis primary apparel exporting competitors in the U.S. market (Ali et al., 2017; Kabir et al., 2018). Recently, research on tariff policies of the United States and their impact on Bangladeshi RMG companies has also commenced. While these contributions are important, they do not directly tackle the specific comparative question which is explored in this study: how is Bangladesh's exposure to tariffs relative to the exposure of other key competing garment exporters to the various products in the U.S. tariff system as it has changed over time?

Thus, the problem addressed by this study is the need for an up-to-date assessment of U.S. tariff exposure in Bangladesh, which is based on context, comparison, and sectoral disaggregation, in the new trade-policy environment of 2025-2026.

Therefore, for comparison, selected major countries of garment export are considered in this study, and secondary and trade-weighted tariff data are used to compare the countries. It covers the overall tariff exposure and sector-specific trends for agriculture, fuel and mining, other goods, and manufacturing. The study then considers the implications of these differences with respect to the competitiveness of the RMG sector in Bangladesh and the sector's economic vulnerability. The analysis is descriptive and will not attempt to prove that the ability to export is solely the result of tariff changes, job creation, investment, or economic growth.

Literature Review

International trade, tariffs and export competitiveness

International trade has always been considered a crucial factor for countries to specialize based on their relative productive advantages and to open up to larger markets. The international specialization of production is explained by the theory of Comparative advantage (Ricardo, 1817), which suggests that relative productivity and opportunity costs differ across countries. The Heckscher–Ohlin model builds on this idea by relating the pattern of trade with the factor endowments. In the case of labor-intensive manufacturing, like garments, this view is especially pertinent for labor-abundant developing countries (Heckscher & Ohlin, 1991).

Theories as above can be used as a good starting point to understand the RMG exports of Bangladesh. One of the reasons why Bangladesh has built up its position in the apparel manufacturing industry is due to its labor force and low production expenses. However, at the production level, it does not necessarily imply that there is equal competitiveness at the export market level. Conditions of entry of products into a destination market also count. These measures can affect the relative prices that exporters from different countries receive: tariffs, quotas, rules of origin, and preferential trade agreements.

The research on comparative advantage in Bangladesh lends support to this arrangement. Ali, Kabir, and Uddin (2017) have concluded that Bangladesh had high RWC in RMG and was also a contender with key exporters to the U.S. and other markets in the apparel sector. In a comparative study, Kabir et al. (2018) also found that apparel is the biggest sector in

Bangladesh with export potential and compared the exporting situation with other exporting countries in the markets of the U.S. and European countries.

The existing protectionism literature also shows that tariffs can alter patterns of trade and reallocations of economic gains and losses between sectors and countries. For instance, protectionist policies can have impacts on trade and welfare beyond the policy's tariffed products—impacts such as on prices, production, and consumption can be observed, as shown by Fajgelbaum et al. (2020).

Tariff differences, however, must not be the only factor considered as a measure of competitiveness. Other factors affecting export performance are productivity, wages, infrastructure and logistics, product quality, exchange rate, input costs, and firm responsiveness to the changing demands of buyers. This context is critical when the analysis is extended to the RMG sector in Bangladesh because a tariff comparison will only be able to pinpoint disparities in market-access conditions, but won't necessarily be able to account for shifts in export performance.

Tariffs and Protectionism

Tariffs are one of the more direct forms of trade protection since they raise the price of imports and may affect the competitive position of foreign suppliers. Recent studies demonstrate that tariff changes impact prices, trade volumes, and welfare, especially when firms pass some of the extra costs onto consumers and modify their import/export plans. For instance, the U.S. tariffs imposed in the context of the 2018 trade war were mostly passed on to domestic prices (Amiti et al., 2019). Protectionist instruments can also have positive and negative effects on the various sectors and groups of the economy, as Fajgelbaum et al. (2020) demonstrated.

When developing countries rely on a few products or markets for a significant share of their exports, tariff changes can be a significant issue. Trade and Development (UN, 2024) notes that tariffs are still contributing to trade costs and are still relevant to some developing economies. Recent evidence also indicates that tariff adjustments in major countries can influence the competitiveness of developing and least-developed countries, particularly in labour-intensive industries, like textiles & apparel (UN Trade & Development, 2025).

Based on the literature, it is possible to analyze tariff exposure as one of the factors that affect export competitiveness. However, tariff differentials are not the only determinants of export performance. Production costs, productivity, market access, product quality, compliance requirements, and alternative markets are other factors that may influence the competitiveness of exporters.

Trade Policy and Developing Economies

The role of trade policy in influencing developing economies' opportunities for exports and adjustment capacity is important. It is important to acknowledge that export growth can be facilitated by market access, but that the nature and level of export trade is likely to have different impacts on countries based on various trade measures such as tariffs and trade agreements. UN Trade and Development (2024) noted that tariffs, trade agreements, non-

tariff measures (NTMs), and trade-defense instruments all impact international trade, and developing economies suffer from high trade costs as a result of such measures.

The impact of a trade policy is very significant in economies where a relatively small share of their total export production is based on a small number of export products. When access costs to the market spike, it may cause an exporter's price advantage to be weaker and prompt buyers to redirect orders to other sources. Recent tariff disruptions may also have a significant impact on least-developed countries, especially on light manufacturing, which is particularly affected, according to UN Trade and Development (2025).

The relationship is exemplified in Bangladesh. The World Bank has highlighted that the export orientation of the country has been robust and driven by RMG and that the country needs to diversify its product and market scope for future competition and better trade facilitation and integration with the international market. A more recent study also points to trade protection, infrastructure constraints, and limited diversification as other factors that impact Bangladesh's overall trade competitiveness.

The existing literature therefore indicates that the impact of a trade-policy change should not be analyzed by itself and should take into account the tariff rate. This is also the case for the export structure, the reliance on specific markets, productive capacity, and the availability of alternate markets.

Bangladesh's RMG Industry and dependency on the external market

The RMG industry has played a pivotal role in the export-led growth necessary to Bangladesh's development, and is still the leading export manufacturing industry in the country. Previous research has reported that the sector grew via international markets, relatively low labor costs, and growth of production capacity.

The comparative advantage of apparel has been found to be one of the major fields in Bangladesh-specific studies. Ali, Kabir and Uddin (2017) analyzed Bangladesh's revealed comparative advantage in RMG vis-à-vis the top four competing exporters of the world and discussed the impact of the U.S. GSP suspension, particularly. Their analysis highlights the need to consider Bangladesh's competitiveness in the apparel sector in the context of other suppliers and evolving market access.

Kabir, Ali and Uddin (2018) also analyzed comparative advantage and export potential of Bangladesh to the world market, EU-West Europe and U.S. markets. Based on their findings, the apparel sector is identified as the highest potential export sector in Bangladesh, and the U.S. and European markets are the most important markets in the export structure of Bangladesh.

This has continued to be the case in the U.S. market, where Bangladesh's apparel exports have been relatively significant. The sector faces competition from countries like China, Vietnam, India, Indonesia, Pakistan, Cambodia, and other countries that export. This can affect the competitive position of these suppliers due to varying labor costs, labor productivity, access to the market, sourcing, and tariff treatment.

Official evidence is even more recent in confirming the significance of the U.S. market. According to the World Trade Organization, a significant percentage of Bangladesh's RMG exports are also destined for the U.S., and the U.S. International Trade Commission has Bangladesh as one of the top suppliers of apparel to the U.S. market. Labor competitiveness, labor productivity, input sources, market access, and vertical integration are pertinent factors in apparel competitiveness.

A recent study has also started looking into Bangladesh's exposure to the evolving U.S. tariff policy. The research project for the year 2025 conducted by the Center for Entrepreneurship Development, BRAC University, in collaboration with Columbia University and International Growth Center, focuses on analyzing how tariffs affect decision-makers, the cost of RMG production, and factory operations. It has a strong focus on the firm level, and this is complemented by the country-level comparative approach used in the current study.

Collectively, the literature indicates that competitiveness has always been important for the Bangladesh RMG industry as it is dependent on cost advantage, production capacity, comparative advantage, and high demand in export markets. Meanwhile, the sector is facing the downside of fluctuations in market access and global competition.

Research Gap

There is a good amount of literature available that can be used as a base to understand the competitiveness of the RMG industry in Bangladesh. Some previous studies around Bangladesh have explored comparative advantage and export potential in the context of competition with the key suppliers of the apparel industry, including the U.S. market (Ali et al., 2017; Kabir et al., 2018).

There are still three areas that are not adequately integrated, however.

There is a large amount of literature that already exists on the subject of competitiveness, which is usually focused on historical periods and thus limits the scope of the analysis of the implications of the 2025-2026 shifts in the U.S. tariff landscape.

Second, research on the competitiveness of the apparel industry in Bangladesh tends to address export performance, comparative advantage, market shares, or characteristics of the firms rather than offer an up-to-date cross-country, trade-weighted comparison of the tariff exposure of wide product groups.

Third, there is a need to separate a specific tariff rate in the U.S.–Bangladesh agreement from more general applied or trade-weighted tariff estimates in February 2026. If such distinction were not made, it would be easy to say that different measures of tariffs are directly comparable.

The present study attempts to fill these gaps by looking at the pattern of Bangladesh with selected major garment exporting countries with the help of the latest data on tariff rates in the U.S. and comparing it across the manufacturing, agriculture, fuel and mining, and other goods sectors. The study thus builds on the existing literature on competitiveness in

Bangladesh by being more specific on the relative tariff exposure in the changing U.S. trade policy environment.

Significance of The Study

The study is important because it looks at the changing trade patterns in U.S. trade during a period when new challenges are emerging for international exporters due to tariff policies in U.S. trade. The RMG sector is an important export industry on which Bangladesh is very dependent, and the dynamics of U.S. trade policy are especially important for Bangladesh's export competitiveness.

The study is one of the few studies that offers a comparative analysis of the tariff exposure of Bangladesh and other major garment exporters to the U.S. in the literature. The study does not only look at Bangladesh in a vacuum; rather, it looks at the tariff position of Bangladesh vis-à-vis its competitors. The recent trade-weighted tariff estimates are also used to offer a new benchmark on the variations in tariff exposure among the countries examined.

From a policy perspective, the study is relevant as the results can be useful for policymakers to gain insights into the policy concern about the trade policy risk to Bangladesh's RMG sector and the need for competitive market access. The outcomes can provide inputs in policy-level debate related to trade negotiation, export market diversification, product diversification, technological upgradation, and enhancing the competitiveness of the RMG sector on a long-term basis.

The study gives a comparative perspective of the tariff situation of Bangladesh and other competitors of the exporters in the U.S. market. This could make it easier for businesses to better comprehend the evolving external trade landscape and make informed decisions on adapting to the market to remain competitive.

Research Objectives

General Objective: The overall goal of this study is to analyze the impact of the latest U.S. trade policy on export competitiveness and overall economic susceptibility of Bangladesh, especially in the context of the Ready-Made Garments (RMG) industry.

Specific Objectives:

1. To explore the Bangladesh – United States trade relations with special focus on Bangladesh's RMG exports in the U.S. market.
2. To make a comparison between U.S. tariff exposure of Bangladesh and selected major countries that export garments.
3. To estimate the exposure to tariffs for the major product groups analyzed in the study in Bangladesh.
4. To analyze the consequences of the alteration of the U.S. tariff situation on the competitiveness of RMG exports and the economic vulnerability of Bangladesh.
5. To find out the policy options for enhancing the competitiveness of Bangladesh exports and minimizing its sensitivity to the international market conditions.

Research Questions

1. The focus of the question is on the key characteristics of the trade relationship between Bangladesh and the U.S., and what is the role of Bangladesh's RMG exports to the U.S. market?
2. In comparison to selected major countries that export garments to the U.S., what is the degree of exposure of Bangladesh to the U.S. market?
3. What is the difference in the degree of tariff exposure of Bangladesh's major product groups examined in the study?
4. How will the new U.S. tariff landscape affect the competitiveness of Bangladesh's RMG industry and the overall economic fragility of the country?
5. How can Bangladesh improve its export competitiveness and lessen its sensitivity to alterations in the global trade environment?

Methodology

Research Design

The type of research used in this study is qualitative research, which is descriptive and comparative research based on secondary data. It analyzes the impact of Bangladesh's trade tariff architecture on the evolving U.S. tariff landscape, benchmarking it against selected Bangladeshi export and competitive garment-producing countries.

This study does not attempt to prove that tariff change is the cause of changes in exports, employment, foreign exchange earnings, or economic growth. Instead, it points to comparative patterns of tariff exposure and their possible implications for the competitiveness of Bangladesh's exports.

Data Sources

The study is largely based on the UN Trade and Development (UNCTAD) Tariff Dashboard: Tracking the Evolution of U.S. Tariffs. Tariff data in Tables 2-6 are trade-weighted estimates at the 8-digit level of the U.S. import value of each individual tariff.

Information on trade and the RMG sector with Bangladesh, and on the U.S.–Bangladesh trade relations comes from the Export Promotion Bureau, Bangladesh; the World Bank, the World Trade Organization, the Asian Development Bank and the U.S. government.

The study also takes into account the February 2026 U.S.-Bangladesh Agreement on Reciprocal Trade, which is significant due to the policy's development. Under the agreement, the charge rate for imports from Bangladesh is 19%, whereas a zero percent reciprocal rate is given to specified products.

Country Selection

Bangladesh is a focal country and is compared with 10 other countries, including China, India, Pakistan, Vietnam, Indonesia, Sri Lanka, Cambodia, Ethiopia, Mexico, and Honduras.

The choice of these countries was made due to their importance in relation to international apparel trade and their competitiveness to evaluate the position of Bangladesh in the U.S. market. The same country group is used for each of Tables 2-6 for consistency.

Tariff Data & Comparative Analysis

Tariff estimates are reported in the UNCTAD database, which is a "trade weighted" estimate and not calculated separately for the study. The analysis focuses on the general tariff structure as well as on four broad product categories: manufacturing, agriculture, fuel and mining, and other goods.

The overall comparative tariff structure is provided in Table 2, and the four sectoral categories are provided in Tables 3–6. The reported periods are Pre-2025, February 2026, and Current (where applicable in the dataset).

The analysis is limited to the relative tariff situation in Bangladesh, the change in the situation over the reported periods, and the differences among the selected countries and product categories.

Analytical Approach

The results are examined descriptively at three levels: comparative position on overall level; national differences; and sectoral differences. The results are then interpreted in light of the theoretical framework.

Tariff exposure is considered one of the factors influencing market-access conditions and export competitiveness. There is no strict focus on the effect of tariff exposure on export performance and broader economic impacts as a result of the study.

Scope and Limitations

The study is solely based on secondary data and, thus, does not directly reflect the answers of the exporters, workers, buyers, and policymakers. Furthermore, the tariff amounts are trade-weighted estimates and cannot be read as a single, statutory tariff rate for each product from a specific country.

Because of the descriptive nature of the study, the results do not allow for causal inferences. The findings are thus presented as indicators of relative tariff exposure and possible competitive impacts, not as an estimate of the direct economic impacts of tariff changes.

Theoretical Framework*Comparative Advantage Theory*

International specialization is based on David Ricardo's (1817) theory of comparative advantage, which is based on opportunity costs. International trade can provide benefit to the countries if they produce a product or product group for which they have comparative advantage and trade these goods for goods which can be produced relatively lower cost in the other countries.

In this context, the rise of Bangladesh as an important exporter of RMG can be explained as a part. Relative scarcity of labour, an existing manufacturing infrastructure, experience in production, and entanglement in international apparel value chains have led Bangladesh to specialize in labour intensive apparel manufacturing for better results over time.

But comparative advantage is not solely a function of the production conditions. The capacity to take advantage of a production advantage also relies on market access for exports and the costs of accessing export markets. Tariffs may also increase the cost of imported goods, and could thus diminish the effective competitive advantage of an exporter.

This consideration is crucial in the present study as it enables to differentiate between the advantage Bangladesh has in the RMG sector and the market conditions that are external to the advantage.

Heckscher–Ohlin Model

The Heckscher–Ohlin (H–O) model explains the pattern of international trade based on differences in country's relative factor endowments. The model suggests that countries specialize in and export those goods that are made using the relatively abundant inputs.

The H–O view offers another reason why Bangladesh specialises in RMG production. Apparel factories are fairly labour-intensive and Bangladesh has been blessed with a huge pool of labour, which has contributed to the growth of garment production.

Meanwhile, the abundance of factors is not sufficient to ensure a firm's ongoing export competitiveness. When the price for accessing a key destination market rises, relatively low production costs could become less beneficial. Thus the production-side explanation of Bangladesh's RMG specialization is given by the H–O model, and the market-access conditions of the competitiveness of the specialization in international markets is provided by the tariff analysis.

Protectionism & Tariff Theory

Protectionism is the name given to the policies taken by the government to affect international trade and to help or defend the domestic economy. One of the most obvious forms of protectionism is placing a tariff on imports, since it adds cost to the goods being imported.

Tariffs can impact international trade by altering the price of imports relative to their substitutes. If the tariff placed on goods coming in from one country is more than the tariff for similar goods coming in from another country, the importing firm from the higher tariff nation can be at a relative disadvantage.

This is directly relevant to the present study as the empirical analysis has compared the exposure to tariffs faced by Bangladesh with selected major countries exporting garments.

But the protectionism view does not mean that tariff policy is the only factor that affects export performance. Production costs, productivity, product quality, delivery capacity, compliance, integration with supply-chain, and market demand are also key determinants of export competitiveness.

The figures reported are estimates of tariff exposure based on the trade-weighted tariff and should not be automatically viewed as a single statutory tariff for each product coming from a specific country.

New Trade Theory

New Trade Theory, most notably from Paul Krugman, advises on the part of the traditional theories of trade and adds the concepts of economies of scale, market size, product specialization and imperfect competition.

It is applicable to the case of Bangladesh's RMG sector as the country's role in the global apparel trade is not just a function of labour. Bangladesh has built up its large-scale garment industry over decades, with a lot of production experience, a network of suppliers, a large factory capacity, export links and integration into international supply chains.

New Trade Theory also helps provide an understanding of how established exporters benefit from having market access. Large production networks rely on sustained access to large markets to be able to sustain scale & efficiency. A relative increase in access costs to an important market could force firms to become more productive, redirect their production toward more valuable goods, or look for other markets.

Theoretical Integration

The four theoretical perspectives are used together rather than treated as separate explanations.



The factor-based explanation is given by the Heckscher–Ohlin Model of Bangladesh's specialization in apparel which is labor-intensive. Comparative Advantage Theory provides an explanation as to how such specialization can facilitate international trade. New Trade Theory introduces the factor of economies of scale, resulting industrial capacity and international competition. To understand how changes in U.S. trade policy can affect the conditions of market access, it's necessary to have an understanding of protectionism and the Tariff Theory. The framework is not used as a causal model. The study does not assert that U.S. tariff changes are the sole factors that affect Bangladesh's export and economy.

Results and Findings***Bangladesh's RMG Export Performance and U.S. Market***

The RMG industry is strongly export driven and the U.S. is a key market for Bangladesh. Table 1 shows the total RMG export values and the share of the U.S. market in Bangladesh's RMG

exports for the period 2020–2024, on a calendar-year basis, which enables a consistent comparison of the U.S. market's share with Bangladesh's total RMG export values over the period.

Table 1

Bangladesh RMG Export Performance, 2020–2024

Year	Total RMG Export (USD Billion)	RMG Export to U.S. (USD Billion)	U.S.Share of Bangladesh's RMG Exports
2020	27.41	5.92	21.55%
2021	35.81	7.14	19.94%
2022	45.71	9.74	21.31%
2023	35.89	7.29	20.31%
2024	38.38	7.20	18.71%

Source: Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Export Performance; Export Promotion Bureau (EPB), Government of Bangladesh; U.S. Department of Commerce, Office of Textiles and Apparel (OTEXA)

Note: Figures are presented on a calendar-year basis. U.S. RMG exports refer to Bangladesh's apparel exports to the United States.

Analytical Interpretation

As indicated in Table 1, the total RMG export of Bangladesh experienced a significant rise during 2020–2022, but a fall in 2023, and a recovery in 2024. The same was true for the exports of RMG to the U.S. market. The U.S. market, however, did not remain a major market, as it captured about 18.7% of total RMG exports from Bangladesh in 2024.

Comparative U.S. Tariff Structure

This section compares the overall tariff exposure of Bangladesh to selected competing exporters to the U.S. The comparative estimates of tariff rates in the selected trade-weighted rates are shown in Table 2 for the selected countries and periods.

Table 2

Comparative U.S. Tariff Structure on Major Garment – Exporting Countries

Country	Previous Tariff (%)	New Tariff (%)	Total Tariff (%)
Bangladesh	15.29	20.02	35.31
China	12.30	25.67	37.97
India	3.98	18.41	22.39
Pakistan	10.73	19.34	30.07
Vietnam	4.55	20.31	24.86
Indonesia	7.59	19.98	27.57

Country	Previous Tariff (%)	New Tariff (%)	Total Tariff (%)
Sri Lanka	13.00	21.00	34.00
Cambodia	10.10	20.41	30.51
Ethiopia	17.50	10.03	27.53
Mexico	0.00	17.13	17.13
Honduras	0.24	14.71	14.95

Source: UN Trade and Development (UNCTAD), Tariff Dashboard: Tracking the Evolution of U.S. Tariffs.

Note: Trade-weighted tariff estimates are based on the composition of U.S. imports from each economy in 2024, calculated at the HS 8-digit level. Data updated as of 27 February 2026. The estimates reflect the tariff measures included in the UNCTAD dashboard and should not be interpreted as a single statutory tariff rate applicable to every product imported from a country.

Bangladesh-specific note:

Bangladesh's 35.31% estimate is a UNCTAD trade-weighted tariff exposure measure and is not equivalent to the separate 19% reciprocal tariff rate under the February 2026 U.S.–Bangladesh Agreement.

Analytical Interpretation

There is significant variation in the estimates of U.S. tariff exposure as illustrated in Table 2. Among the selected countries, Bangladesh has the second-highest estimate of 35.31%, followed by China (37.97%) and Sri Lanka (34.00%). Lower estimates in India, Vietnam, Indonesia, Mexico, and Honduras.

The comparison suggests that Bangladesh's tariff exposure is relatively high among the selected exporters; however, these figures are descriptive and are not used to make an actual causal impact on export competitiveness.

Comparative U.S. Manufacturing Tariff Exposure

The manufacturing sector is relevant to Bangladesh, especially considering the RMG export industry. Table 3 presents a comparison of manufacturing tariff exposure by Bangladesh and the comparator countries.

Table 3

Comparative U.S. Manufacturing Tariff Exposure Among Selected Garment – Exporting Countries

Country	Pre-2025 (%)	February, 2026 (%)	Current (%)
Bangladesh	15.29	35.31	25.37
China	12.30	37.97	27.37
India	3.98	22.39	15.34

Country	Pre-2025 (%)	February, 2026 (%)	Current (%)
Pakistan	10.73	30.07	21.27
Vietnam	4.55	24.86	18.87
Indonesia	7.59	27.57	20.23
Sri Lanka	13.00	34.00	24.61
Cambodia	10.10	30.51	22.64
Ethiopia	17.50	27.53	27.52
Mexico	0.00	17.13	16.57
Honduras	0.24	14.95	8.88

Source: UN Trade and Development (UNCTAD), Tariff Dashboard: Tracking the Evolution of U.S. Tariffs.

Note: Trade-weighted manufacturing tariff estimates are based on U.S. import values for 2024 and calculated at the HS 8-digit level. Data updated as of 27 February 2026. Manufacturing estimates should not be interpreted as a single statutory tariff rate applicable to all manufactured products from a country.

Bangladesh-specific note:

The February 2026 estimate represents the UNCTAD trade-weighted estimate and should not be equated with the separate 19% reciprocal tariff rate under the U.S.–Bangladesh Agreement.

Analytical Interpretation

There is significant variation in manufacturing tariff exposure as indicated in Table 3. The estimated exposure of Bangladesh rose from 15.29% prior to 2025 to 35.31% during February 2026, and is 25.37% in the current period. Bangladesh's current estimates are higher than those for other countries, but not as high as China or Ethiopia.

The overall trend also reveals that there are important shifts among some of the competing exporters, suggesting that the transition was not just Bangladesh-specific.

Comparative U.S. Agriculture Tariff Exposure

Table 4 compares the U.S. tariff exposure of Bangladesh and the selected countries in the agriculture sector.

Table 4

Comparative U.S. Agriculture Tariff Exposure Among Selected Garment – Exporting Countries

Country	Pre – 2025 (%)	February, 2026 (%)	Current (%)
Bangladesh	2.52	18.86	10.69
China	17.83	36.31	26.31
India	1.09	21.78	9.36
Pakistan	1.37	16.73	9.45
Vietnam	1.00	12.51	6.76
Indonesia	0.43	14.02	7.61
Sri Lanka	1.00	7.89	4.44
Cambodia	0.17	17.28	9.55
Ethiopia	0.23	2.24	2.24

Country	Pre – 2025 (%)	February, 2026 (%)	Current (%)
Mexico	0.70	3.20	1.43
Honduras	0.89	5.43	5.39

Source: UN Trade and Development (UNCTAD), Tariff Dashboard: Tracking the Evolution of U.S. Tariffs.

Note: Trade-weighted agriculture tariff estimates are based on U.S. import values for 2024 and calculated at the HS 8-digit level. Under UNCTAD's classification, agriculture includes agricultural raw materials and food. Data updated as of 27 February 2026.

Bangladesh-specific note:

The 18.86% February 2026 estimate is a trade-weighted agriculture tariff exposure measure and is not the bilateral 19% reciprocal tariff rate established under the U.S.–Bangladesh Agreement.

Analytical Interpretation

There is significant variation in agriculture tariff exposure as shown in Table 4. The estimation rate for Bangladesh rose to 18.86% in February, 2026, from 2.52% prior to 2025 and dropped to 10.69% in the current period, ranking the country second after China (26.31%).

Bangladesh is thus comparatively highly exposed in this category although the shift was concurrent with a change in a number of the comparator countries.

Comparative U.S. Fuel and Mining Tariff Exposure

Table 5 presents the comparative U.S. tariff exposure for fuel and mining products across the selected countries.

Table 5

Comparative U.S. Fuel & Mining Tariff Exposure Among Selected Garment – Exporting Countries

Country	Pre-2025 (%)	February, 2026 (%)	Current
Bangladesh	N/A	N/A	N/A
China	22.52	52.02	42.02
India	0.55	19.64	9.49
Pakistan	0.12	10.68	6.12
Vietnam	6.17	20.39	41.37
Indonesia	4.41	21.68	20.92
Sri Lanka	0.18	20.39	10.57
Cambodia	0.01	19.01	10.01
Ethiopia	0.36	9.59	9.59
Mexico	0.00	3.97	1.62
Honduras	1.53	10.10	1.10

Source: UN Trade and Development (UNCTAD), Tariff Dashboard: Tracking the Evolution of U.S. Tariffs.

Note: Trade-weighted fuel and mining tariff estimates are based on U.S. import values for 2024 and calculated at the HS 8-digit level. Under UNCTAD's classification, fuels and mining include fuels, ores, metals, precious stones and non-monetary gold. Data updated as of 27 February 2026.

Bangladesh-specific note

Bangladesh is reported as N/A in the source dataset for this category. N/A should not be interpreted as zero tariff exposure; therefore, no Bangladesh-specific ranking or conclusion is drawn for fuel and mining.

Analytical Interpretation

The current estimates from China (42.02%) and Vietnam (41.37%) are far larger than those for Indonesia (20.92%) as seen in Table 5. The current estimate in Mexico is the lowest at 1.62%.

No Bangladesh specific estimates are reported in this sector and therefore it cannot be ranked in this sector. A lack of a reported value should not be taken as a zero tariff exposure.

Comparative U.S. “Other Goods” Tariff Exposure

Table 6 presents the comparative tariff exposure for other goods, providing a final sectoral comparison beyond manufacturing, agriculture, and fuel and mining.

Table 6

Comparative U.S. “Other Goods” Tariff Exposure Among Selected Garment - Exporting Countries

Country	Pre-2025 (%)	February, 2026 (%)	Current
Bangladesh	0.00	0.00	0.00
China	0.03	0.07	0.03
India	0.00	0.10	0.04
Pakistan	0.00	0.00	0.00
Sri Lanka	0.00	0.00	0.00
Vietnam	0.00	0.00	0.00
Cambodia	0.00	0.00	0.00
Indonesia	0.00	0.00	0.00
Ethiopia	0.00	0.00	0.00
Mexico	0.00	0.01	0.00
Honduras	0.00	0.00	0.00

Source: UN Trade and Development (UNCTAD), Tariff Dashboard: Tracking the Evolution of U.S. Tariffs.

Note: “Other Goods” represents the residual product group in the supplied dataset beyond the three broad sectoral categories reported separately. Figures are trade-weighted tariff exposure estimates based on U.S. import values for 2024, calculated at the HS 8-digit level. Data updated as of 27 February 2026.

Analytical Interpretation

The tariff exposure in the “Other Goods” sector is also extremely low in the countries examined as shown in Table 6. In both periods, Bangladesh registers 0.00% while majority of the other countries are even at or near zero.

The low variation suggests that this classification is not a significant contributor to the overall variation in tariffs seen across the other sectors. The substantive analysis consequently

focuses on differences in the manufacturing and agricultural sectors, where they are more marked.

Overall Findings

From the findings of Tables 2–6, it is observed that Bangladesh has comparatively high tariff exposure in the U.S market as compared to most of the countries with which Bangladesh is compared for exportation of garments. It also has the second-highest overall average tariff by trade-weighted (35.31%) after China (37.97%). The same is the case with the manufacturing estimates, as Bangladesh's current exposure is 25.37%, which is still higher than most of the selected manufacturing countries, with slightly higher current estimates for China and Ethiopia.

The agriculture result is also relatively high for Bangladesh, with an estimated value of 10.69%, which is the second highest in the world, after China. On the contrary, Bangladesh doesn't have any record of the fuel and mining category in the UNCTAD data and thus can't provide any country-level finding for that category. The contribution of the “Other Goods” category to the differences between the countries is very small.

The overall picture suggests relatively high trade-weighted tariff exposure in the product categories that are most pertinent to the assessment of comparative exposure in Bangladesh. But there is also a high degree of variation in the performance of the competing exporters. The results should thus be treated not as evidence of the impact of tariff changes on export performance – or competitiveness – but as evidence that there are differences in market-access conditions.

Discussion

Bangladesh's Relative Tariff Position

Based on the comparative evidence, Bangladesh is in the moderately high range of estimated U.S. tariff exposure. Its overall estimate, 35.31%, is lower than the 37.97% estimated for China, but higher than the estimates of most of the other selected countries. India, Vietnam, Indonesia, Mexico, and Honduras also have fairly high exposure, while Sri Lanka, Pakistan, and Cambodia have lower exposure.

This position is relevant because the U.S. is one of the key countries for the export of RMG from the country. The U.S. market received around 18.7 percent of the total exports of the RMG industry of Bangladesh in 2024. The uneven exposure to tariffs can thus affect the relative market-access conditions of Bangladeshi exporters compared to those of other countries.

But the estimates of tariff do not necessarily suggest that Bangladesh is not competitive in comparison with all countries where the tariff exposure is lower. Production costs, productivity, product quality, delivery, compliance, logistics and buyer relationships are other factors that impact competitiveness.

Implications for RMG Export Competitiveness

Labor availability, low production cost, accumulated manufacturing experience, and linkage with the international chain of apparel production have helped the RMG industry to achieve

a strong international position in Bangladesh. All of these are still relevant determinants of competitiveness.

The tariff findings indicate, however, that production advantages exist in an expanded market access environment. If there are different tariff conditions for competing exporters, then the ratio of the cost to export to the same destination market may vary. This could then bring challenges to the exporters of Bangladesh to increase productivity, reduce costs, and enhance product quality or relationships with buyers.

The data available does not provide the ability to measure these effects. The results, therefore, explain a possible competitiveness pressure, but not an actual causal impact of tariffs on the exports of RMG from Bangladesh.

Bangladesh Compared with Competing Exporters

Thus, from the country comparison, it is clear that Bangladesh's tariff level does not match that of all the major suppliers. India, Vietnam and Indonesia have a lower estimate, and China has a higher estimate. Sri Lanka is relatively near the Bangladesh level of overall exposure, while Mexico and Honduras exhibit much lower overall exposure.

This variation is important because if other countries begin to offer relatively lower costs or conditions in the market that make it easier to trade, then international apparel buyers are able to look elsewhere for their apparel. However, sourcing decisions depend on several factors, and tariff exposure is but one part of it. Competitive suppliers are also attractive based on labor productivity, product quality, production capacity, delivery reliability, compliance, and integration into the supply chain.

This comparison, then, implies that Bangladesh does not need to depend solely on tariffs for its response. To remain competitive, a focus on market access, as well as on the efficiency of the RMG industry, will be needed.

Interpretation Through the Theoretical Framework

The four theory-oriented perspectives used in this study provide the possibility to interpret the findings. Bangladesh has a specialization in labor-intensive apparel production due to the relative abundance of labor in the country; this can be explained by the Heckscher–Ohlin model. Comparative Advantage Theory also provides an explanation of how this specialization has helped Bangladesh to be involved in international apparel trade (Ricardo, 1817; Heckscher & Ohlin, 1991).

In addition to the importance of economies of scale, accumulated industrial capacity, and established production networks, New Trade Theory introduces. The above are more important with respect to Bangladesh's large RMG industry, which has grown over several decades and is closely linked with the international supply chain (Krugman, 1991).

The link between these production-side advantages and conditions in the outside market is achieved through protectionism and tariff theory. Tariff exposure is not identical for exporters that sell their products to the same destination, and changing these relative cost conditions can affect the relative price received by the exporters.

The results thus suggest that production benefits are still significant in Bangladesh, but can be affected by a shift in trade-policy parameters (Amiti et al., 2019; Fajgelbaum et al., 2020). Theories are thus not used as causal explanations that have been statistically tested but as lenses for interpreting the data.

Bangladesh's Structural Vulnerability

The results also reveal an issue of a more general nature. The export economy is still very much reliant on RMG in Bangladesh, and the USA is among its leading apparel markets. This concentration can make for a higher exposure to external trade and market access policies.

If the tariff condition changes, this is not necessarily accompanied by a fall in exports. The impact of this effect may be contingent on the reaction of the exporters, buyers, and competing suppliers. However, when a group of products, or a market, dominates a country's exports, the ability of exporters to be flexible in responding to external changes is limited.

In this context, increasing the resilience of Bangladesh is a matter of progressive diversification of export products and markets, along with the competitiveness of the RMG industry.

Overall Implications

Overall, the results suggest that Bangladesh's relatively high tariff exposure poses a potential market-access and competitiveness risk, but does not actually prove to have caused a loss of exports or employment.

It's a clear-cut difference. The study identifies differences in tariff exposure based on the trade-weighted UNCTAD estimates, but it does not estimate the impact of these differences on the quantity of exports, factory jobs, foreign exchange earnings, or economic growth.

Several factors, including productivity, exchange rates, production costs, consumer purchasing habits, product mix, and the importation of goods and their compliance with, and future movement under, trade policies will also be important to actual results.

February 2026 U.S.–Bangladesh Agreement

The 19% Reciprocal Tariff Provision

The U S – Bangladesh Reciprocal Trade Agreement, which took place in February 2026, is a significant milestone in the trade relations between the two countries. According to the agreement, Bangladesh imports will be granted a 19% reciprocal tariff rate, while certain commodities will be granted zero per cent reciprocal tariff treatment.

The agreement offers Bangladesh specific bilateral market access for Bangladesh to the U.S. market. However, the proposed change in the tariff regime is not necessarily as significant as it appears if the cost of competing exporters is also taken into account.

Distinguishing the 19% Rate from the UNCTAD Estimate

This 19% reciprocal tariff rate is not considered to be the same as the 35.31% listed in Table 2.

The 35.31% is the trade-weighted tariff exposure estimate reported by UNCTAD, taking into account U.S. import values and the composition of imports from Bangladesh. The 19% reflects one bilateral reciprocal tariff commitment in the February 2026 agreement.

Therefore, they are different measurements. The figures should not be summed and should not be used as equivalents to each other nor as part of a composite tariff rate. This is a key aspect in the interpretation of the present study. The UNCTAD estimates are largely for comparison purposes only, and the 19% figure represents the bilateral policy arrangement.

Implications for RMG sector in Bangladesh

The agreement could offer more detail on the tariff structure for trade between Bangladesh and the U.S. However, Bangladeshi RMGs' competitiveness will remain subject to the tariff environment of competing exporters and the domestic production environment.

Market access is therefore necessary with improvement in productivity, product quality, technological capability, conformity and supply-chain efficiency in Bangladesh. The agreement must therefore be seen as a key component of the competitiveness landscape and not as the panacea to the problems of the RMG industry.

Relevance to the Comparative Findings

The agreement also highlights the need to differentiate between bilateral tariff rates and trade-weighted estimates. While the UNCTAD data can be used to establish Bangladesh's relative standing in the group of selected exporters, the agreement sets out a definite bilateral tariff structure.

Combined, these results indicate that the factors of the market access situation and the capacity of local exporters to compete within the market access conditions are linked but different.

Policy Implications

The results indicated that in this context, Bangladesh needs to adapt to the new U.S. tariff scenario by implementing both trade-policy and competitiveness strategies. These are some of the priorities that are especially relevant.

Strengthen Bilateral Trade Engagement

Bangladesh and U.S. authorities should continue to have regular communication on tariff implementation and product coverage, as well as market-access conditions, through the Ministry of Commerce, Bangladesh Trade and Tariff Commission, and other relevant government agencies.

Future negotiations should be based on product-level data and systematic comparisons with competing exporters and not just on tariff rates alone.

Establish a Permanent Tariff Monitoring Mechanism

A coordinated system to monitor tariffs in Bangladesh should be introduced, which will include the Ministry of Commerce, Bangladesh Trade and Tariff Commission, EPB, and various industry associations.

The process could monitor the tariff changes that have been imposed on a number of key export products from the U.S. and compare them with the tariff situation for other suppliers. This would enable exporters and policymakers to react to variations in market-access conditions in advance.

Diversify Export Markets

There is a need to minimize over-dependence on a few key export markets in Bangladesh. This can be aided by specific market research, identification of buyers and trade fairs and export promotion activities by EPB and Bangladesh's trade missions overseas.

The goal shouldn't be to give up existing markets like the United States, but to develop new markets to prevent skewing of the export industry.

Diverse in Traditional RMG Products

RMG will continue to play a significant role in the export market in Bangladesh, but there is a need for diversification of products if the export sector is to be resilient over time. Policy support should focus on sectors where Bangladesh already has production capacity and entry opportunities into the international market that are realistic.

This may be in the form of increased assistance to nontraditional manufacturing exports and a gradual transition to higher-value apparel exports.

Increase productivity and introduce new technology

One of the most feasible strategies for RMG exporters to deal with increased market-access costs is to improve productivity. Government support should be used to stimulate investments in production technology, in energy efficiency, in digital production management and in the development of skills and modern quality-control systems. It should be about process productivity, not competition driven by primarily lower labour cost.

Move Toward Higher-Value Apparel

Gradually, the capacity of Bangladesh should be increased in higher value-added and technically advanced apparel sectors. An increase in the sophistication of the products will help lessen the reliance on price-sensitive products and will help improve the bargaining power of the exporters with international buyers.

Maintain Strong Labor and Environmental Compliance

Labor rights, environmental, and workplace safety standards are increasingly coming into play in international sourcing. Potential continued enhancements in compliance can therefore be used to meet regulatory requirements and to be used as a commercial advantage.

Rather than compliance investment being a cost to meet external requirements, it needs to be regarded as a part of export competitiveness.

Improve Export Logistics and Trade Facilitation

High logistics costs, delays, or inefficient customs procedures can have a negative impact on the competitiveness of tariffs. Hence, Bangladesh should further strengthen the efficiency of the ports, digitalization of customs, transport connectivity and trade documentation. Some

of the pressures of external market-access conditions could be partially met by reducing non-tariff trade costs.

Build a Coordinated Export Competitiveness Strategy

The policy response should link trade negotiation, export promotion, industrial upgrading, skills development, logistics, compliance, diversifications.

A coordinated approach would enable Bangladesh to adjust to the U.S. tariff policy decision, as well as consider the underlying structural issues that could make the RMG sector more competitive in the long run.

Conclusion

This study compared Bangladesh's role in the shifting U.S. tariff climate with that of ten countries that are exporters of garments. Based on the evidence presented, the trade-weighted tariff exposure of Bangladesh is found to be relatively high among countries included in the sample. From the evidence presented, it can be concluded that the trade-weighted tariff exposure of Bangladesh is relatively high among the countries studied. Its overall estimate of 35.31% is second only to that of China, and the current estimates for manufacturing and agriculture are also quite high.

However, the results in each sector are not consistent. There are significant differences among countries in manufacturing and agriculture, while "Other Goods" accounts for little of the differences. There is also no reported observation in the UNCTAD dataset for Bangladesh in the Fuel and Mining category, making it impossible to compare the statistics across this category. These differences further illustrate the need to take the product category and the composition of the underlying trade data into consideration when assessing tariff exposure. The results also reveal the reasons for examining Bangladesh's tariff policy in comparison to its rivals. Export performance is not driven by the level of tariff exposure per se, though a relatively high tariff exposure can put additional pressure on market access. Productivity, production cost, product quality, compliance, logistics, capacity in the supply chain, and relationships with buyers continue to be key factors in the competitiveness of the RMG sector of Bangladesh.

The U.S.-Bangladesh Agreement of February 2026 includes a crucial bilateral policy aspect. Note that the 19% reciprocal tariff provision should not be viewed as an alternative estimate of the same measure as the UNCTAD's trade-weighted estimate of 35.31%. It is important to keep this distinction to correctly interpret Bangladesh's tariff position.

In general, Bangladesh's traditional strengths in apparel manufacturing based on cheap and abundant labor still hold good, but the company cannot out-compete its competitors in the U.S. market with its production-cost advantage alone. The ongoing need for market access, productivity, technological upgrading, higher-value production, export-market diversification, and compliance will be crucial to bolster resilience in a new, uncertain international trading environment.

The study is descriptive in nature with secondary data analysis; hence, it cannot prove the causal impact of tariff changes in the U.S. on the exports, employment, foreign exchange

earnings, or economic growth of Bangladesh. The most important thing it does is to pinpoint the relative tariff exposure of the country of Bangladesh and put that exposure in context with the competitiveness of the other major countries that export garments. These findings could be extended in future studies, for example, by analyzing the impact of tariff changes on real export behavior and competitiveness by product or firm level or time-series data.

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