

**Policy Paper Series**

# **MARKET ACCESS, POLICY SPACE, AND STRATEGIC ALIGNMENT: ASSESSING THE U.S.–BANGLADESH RECIPROCAL TRADE AGREEMENT**

Selim Raihan



**Policy Paper Series**

# **Market Access, Policy Space, and Strategic Alignment: Assessing the U.S.–Bangladesh Reciprocal Trade Agreement**

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## Abstract

The Agreement between the United States and Bangladesh on Reciprocal Trade is far more than a conventional tariff arrangement. Its title suggests a trade agreement built around reciprocity. Its content, however, reaches deeply into Bangladesh's domestic regulatory regime, industrial policy space, digital governance, labour law, environmental governance, customs administration, investment policy, public procurement choices, and strategic alignment on economic and national security matters. From Bangladesh's perspective, this makes the agreement both consequential and highly sensitive.

The agreement offers one visible trade-side benefit: the United States would not apply the additional ad valorem duty under Executive Order 14257 on specified Bangladeshi originating goods, while for all other Bangladeshi originating goods, the additional rate would be capped at no more than 19 percent, in addition to the existing U.S. MFN rate. Bangladesh, in return, would undertake broad tariff liberalisation for U.S. goods, including the elimination or reduction of customs duty, supplementary duty, and regulatory duty across agreed product lines. The asymmetry is evident from the start. Bangladesh's concessions appear broader, more intrusive, and more enforceable, while the U.S. tariff concession remains limited, conditional, and layered on top of existing MFN duties.

For Bangladesh, the core policy question is not whether closer trade relations with the United States are desirable. They clearly are. The United States remains a major export market, especially for apparel, and deeper commercial engagement could support investment, technology transfer, energy security, and market diversification. The harder question is whether this agreement, in its current form, advances Bangladesh's long-term development interests on acceptable terms. On balance, the agreement appears to shift Bangladesh from a trade negotiation framework into a broad regulatory alignment framework, with significant implications for policy autonomy.

This paper argues that Bangladesh should approach the agreement with caution. Several provisions could support useful reforms, particularly in customs digitalisation, regulatory transparency, labour rights, anti-corruption, and trade facilitation. Yet many commitments are one-sided, highly detailed, and closely tied to U.S. commercial, regulatory, and security preferences. They may constrain Bangladesh's ability to pursue industrial policy, manage digital sovereignty, design food and agricultural standards, negotiate future agreements with other partners, and maintain strategic balance in a complex geopolitical environment.

Bangladesh should not reject engagement with the United States. Nor should it accept a text that effectively converts trade access into a wide-ranging instrument of external policy discipline. The appropriate strategy would be to renegotiate, sequence, and narrow the commitments; secure clearer, legally binding U.S. market-access gains; protect Bangladesh's development policy space; and establish a domestic review process involving Parliament, relevant ministries, regulators, private sector actors, labour organisations, consumer groups, and independent experts.

## Contents

1. Introduction .....	1
2. The Nature of the Agreement: Trade Reciprocity or Regulatory Alignment? .....	2
3. Tariffs and Quotas: Limited U.S. Relief, Broader Bangladeshi Liberalisation.....	2
4. Non-Tariff Barriers: Reform Agenda or One-Sided Market Opening? .....	4
5. Agriculture and SPS: Food Security, Biosafety, and Regulatory Dependence.....	5
6. Pharmaceuticals, Medical Devices, and Public Health Policy Space .....	6
7. Labour Commitments: Necessary Reforms, External Leverage, and Domestic Ownership.....	7
8. Environmental Provisions: Useful Direction, Broad Obligations .....	7
9. Digital Trade and Technology: Market Openness Versus Digital Sovereignty .....	8
10. Economic and National Security: The Agreement’s Geopolitical Core.....	9
11. Commercial Purchase Commitments: Trade Agreement or Managed Procurement Package? .....	10
12. Enforcement and Termination: A Strong Unilateral Lever for the United States.....	11
13. Macroeconomic and Fiscal Implications for Bangladesh.....	11
14. Implications for Bangladesh’s Industrial Strategy.....	12
15. Strategic Risks: Dependency, Alignment, and Negotiating Precedent.....	13
16. What Bangladesh Should Renegotiate.....	13
17. Domestic Policy Preparation .....	14
18. Comparative Perspective: The Bangladesh Deal Against U.S. Arrangements with Malaysia, Indonesia, and Vietnam .....	14
19. Conclusion.....	16

## 1. Introduction

Bangladesh is entering a challenging phase in its external economic relations. LDC graduation, preference erosion, tighter rules of origin, sustainability-linked trade measures, shifting supply chains, and intensifying geopolitical competition are reshaping the trade landscape. In this context, a bilateral trade arrangement with the United States naturally commands attention. It could reduce uncertainty, help preserve market access, and open new avenues for investment, energy cooperation, and regulatory upgrading. Against this backdrop, Bangladesh and the United States signed the Agreement on Reciprocal Trade (ART) in February 2026.<sup>2</sup>

Yet the legal and political context around this agreement has become more complicated. The U.S. Supreme Court has ruled that the International Emergency Economic Powers Act does not authorize the President to impose sweeping global tariffs, thereby striking down Donald Trump's broad "reciprocal" tariff measures imposed under that legal authority. This ruling raises a serious question about the legal foundation of a trade agreement that repeatedly refers to Executive Order 14257 of April 2, 2025, and the possible reimposition of reciprocal tariffs on Bangladeshi exports. The fate of the U.S.–Bangladesh agreement is, therefore, not entirely clear. Even so, the U.S. has reportedly continued to remind Bangladeshi authorities to implement the deal.<sup>3</sup> This creates an uncomfortable asymmetry: Bangladesh is being asked to move ahead with far-reaching commitments while the legal basis of the tariff threat that underpins the agreement appears uncertain.

Trade agreements are never only about trade. This is especially true of the present agreement. The text covers tariffs and quotas, but then moves quickly into non-tariff barriers, standards, agriculture, intellectual property, services, labour, environment, digital trade, data flows, export controls, sanctions, investment security, defense trade, shipbuilding, nuclear procurement, airline purchases, LNG, agricultural imports, military equipment, and WTO subsidy notification.

For Bangladesh, therefore, the agreement must be judged through a wider lens. The question is not simply whether some exports receive lower U.S. tariff treatment. It is whether the overall package strengthens Bangladesh's development trajectory, institutional capacity, industrial upgrading, and strategic bargaining power. A narrow reading would miss the point. A careful reading suggests that the agreement creates a dense web of obligations, most of which fall on Bangladesh.

This policy paper provides a critical assessment from Bangladesh's perspective. It examines the agreement's tariff architecture, non-tariff and regulatory provisions, agricultural and SPS commitments, digital trade obligations, labour and environmental clauses, economic security provisions, commercial purchase commitments, enforcement rules, and broader implications for Bangladesh's policy sovereignty. It concludes with recommendations for renegotiation and domestic preparation.

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<sup>2</sup> See

<https://ustr.gov/sites/default/files/files/Press/Releases/2026/U.S.%20BGD%20Agreement%20on%20Reciprocal%20Trade%20Final%2009FEB2026%20LETTER.pdf>

<sup>3</sup> See <https://www.thedailystar.net/news/bangladesh/diplomacy/news/trump-congratulates-tarique-hopes-strengthen-us-bangladesh-trade-ties-4109936>

## **2. The Nature of the Agreement: Trade Reciprocity or Regulatory Alignment?**

The preamble presents the agreement as an effort to enhance reciprocity in bilateral trade by addressing tariff and non-tariff barriers and strengthening commercial relations through alignment on national and regional economic security matters. On one level, this sounds familiar. Many modern trade agreements combine market access with regulatory cooperation. Yet the balance of obligations in this text is unusual.

The agreement does not merely ask Bangladesh to reduce tariffs. It asks Bangladesh to accept U.S. standards, U.S. regulatory approvals, U.S. certificates, U.S. conformity assessment procedures, U.S. approaches to agricultural biotechnology, U.S. positions on digital trade, U.S. export-control concerns, U.S. sanctions-related priorities, and U.S. preferences in strategic procurement. In several places, Bangladesh is required not only to open its market to U.S. goods and services but also to reshape its domestic regulatory systems around U.S. institutional determinations.

This raises a fundamental issue. Reciprocity in trade usually implies mutual concessions. Here, reciprocity is defined less as mutual opening and more as Bangladesh's alignment with U.S. commercial and strategic interests in exchange for limited relief from additional U.S. reciprocal tariffs. That is a significant distinction.

Across the full agreement, the asymmetry of obligations is striking. A simple textual count shows that the phrase "Bangladesh shall" appears about 127 times, including 17 instances of "Bangladesh shall not," while "the United States shall" appears only about 5 times. Even allowing for some variation in legal drafting, the imbalance is clear. Bangladesh is asked to undertake detailed commitments on tariffs, standards, SPS measures, biotechnology, pharmaceuticals, labour law, environment, customs, digital regulation, export controls, investment, procurement, and strategic alignment. By contrast, U.S. obligations are far fewer and are largely centred on applying or withholding specific tariff treatment, establishing a limited textile mechanism, and working with Bangladesh in selected areas. This does not make the agreement reciprocal in any substantive developmental sense. Rather, it appears to create a dense architecture of Bangladeshi commitments in exchange for narrower, conditional, and potentially reversible U.S. concessions.

Bangladesh has long needed reforms in customs, standards, labour administration, regulatory transparency, anti-corruption institutions, and investment facilitation. Some provisions in the agreement could help accelerate those reforms. But reform undertaken through domestic consensus is different from reform locked into an externally enforceable bilateral agreement. The latter may reduce discretion. It may also weaken Bangladesh's ability to sequence reforms according to administrative capacity, fiscal realities, and social consequences.

## **3. Tariffs and Quotas: Limited U.S. Relief, Broader Bangladeshi Liberalisation**

Section 1 sets out the basic tariff framework. Bangladesh is required to apply customs duties on originating U.S. goods according to Schedule 1 of Annex I and not impose quotas

on U.S. originating goods unless otherwise agreed. The United States, in turn, will apply a reciprocal tariff rate on originating goods of Bangladesh according to Schedule 2 of Annex I. For Bangladesh, the term customs duty explicitly includes customs duty, supplementary duty, and regulatory duty.

This definition matters. Bangladesh's tariff structure relies not only on customs duties but also on supplementary and regulatory duties, which have often been used for revenue, protection, and import management. By including all three under the liberalisation commitment, the agreement cuts into a wider part of Bangladesh's tariff-policy toolkit.

Annex I, Schedule 1 states that Bangladesh's base rates reflect MFN rates in effect on July 1, 2025, including supplementary and regulatory duties. It then establishes staging categories: immediate elimination at entry into force, phased elimination over five years, phased elimination over ten years, continuation of zero duties, and items remaining under applied MFN rates.

By contrast, the U.S. commitment is framed differently. For specified Bangladeshi originating goods, the United States will not apply the additional ad valorem duty under Executive Order 14257. For all other Bangladeshi originating goods, the additional ad valorem rate under that Executive Order will be no higher than 19 percent, and this applies in addition to existing U.S. MFN duties.

This is not the same as duty-free access. Nor is it comparable to the kind of preferential access Bangladesh has enjoyed under LDC-related arrangements in other markets. For apparel, where U.S. MFN tariffs are already significant, a 19 percent additional tariff may still leave Bangladeshi exports facing a heavy tariff burden. The agreement may, therefore, reduce a worse outcome rather than create a genuinely favourable one.

In this context, Article 5.3 is one of the most commercially attractive yet operationally uncertain provisions of the agreement. On the surface, the promise of a zero reciprocal tariff rate for certain textile and apparel exports from Bangladesh appears to be a meaningful gain, particularly given Bangladesh's dependence on the U.S. market and the tariff sensitivity of the RMG sector. But the provision is narrowly designed. The zero-tariff facility would not be automatic, universal, or open-ended; it would operate through a mechanism that provides only a specific volume of Bangladeshi textile and apparel imports into the United States at the reduced rate. More critically, that volume would be determined in relation to Bangladesh's imports of textiles from the United States, including U.S.-produced cotton and man-made fibre inputs. The method for calculating this entitlement, however, is not clearly specified in the text. Would it be based on value, quantity, fibre content, annual import history, or firm-level sourcing records? The agreement does not say. This ambiguity matters because a complicated administrative process could make it difficult for Bangladeshi exporters, especially smaller and mid-sized firms, to actually use the opportunity.

What looks like preferential access on paper may become hard to access in practice if firms must navigate unclear eligibility rules, documentation burdens, shipment-level verification, or input-output tracing requirements. In effect, Article 5.3 risks turning market access into a conditional purchase-linked arrangement, where export benefits depend partly on sourcing decisions that should normally be guided by price, quality, lead

time, product specification, and commercial competitiveness. It may also reduce Bangladesh's flexibility to source inputs from India, China, ASEAN, or other competitive suppliers. More broadly, the provision appears less like a broad developmental trade preference and more like a managed trade instrument designed to encourage U.S. textile input exports while offering Bangladesh limited and uncertain relief on selected apparel exports. Bangladesh should, therefore, seek a clearer, larger, and more commercially usable tariff-rate mechanism, with transparent product coverage, simple rules, and safeguards against administrative complexity that could prevent exporters from benefiting from the concession.

From Bangladesh's perspective, this is a weak exchange. Bangladesh would undertake extensive tariff and regulatory concessions, while the United States would mainly refrain from applying, or would cap, an additional tariff measure created under a U.S. executive order. A more balanced arrangement would need clearer product coverage, deeper U.S. tariff relief, predictable treatment for apparel and other export sectors, and safeguards against future unilateral tariff actions.

#### **4. Non-Tariff Barriers: Reform Agenda or One-Sided Market Opening?**

Section 2 is one of the most consequential parts of the agreement. It covers import licensing, technical regulations, standards, conformity assessment, agriculture, geographical indications, cheese and meat terms, intellectual property, services, good regulatory practices, labour, environment, border measures, and taxation. The scope is broad. In some areas, it reads less like reciprocal regulatory cooperation and more like a set of binding disciplines on Bangladesh.

The import licensing provision requires Bangladesh not to apply import licensing to U.S. goods in a restrictive, burdensome, or competitiveness-reducing manner. On paper, this aligns with WTO principles. In practice, however, it could limit Bangladesh's ability to use import licensing for legitimate administrative, health, safety, balance-of-payments, or industrial purposes unless those measures are carefully justified and transparently administered.

The provisions on technical regulations and conformity assessment are even more sensitive. Bangladesh must allow U.S. goods that comply with applicable U.S. or international standards, U.S. technical regulations, or U.S. conformity assessment procedures to enter without additional conformity assessment requirements where certification is provided by governmental or internationally accredited laboratories. Bangladesh must also accord U.S. conformity assessment bodies treatment no less favourable than its own and remove duplicative or unnecessary testing.

There is a reasonable argument for avoiding duplicative testing. Bangladesh's testing and certification systems are often slow, under-resourced, and fragmented. Reducing unnecessary procedures could lower costs and improve the availability of quality goods. Still, automatic or near-automatic recognition of U.S. standards may weaken domestic regulatory authority if not carefully bounded. Bangladesh should retain the right to conduct risk-based checks, particularly for products affecting health, safety, food systems, consumer protection, and the environment.

The agreement also restricts Bangladesh's approach to geographical indications and requires that Bangladesh not restrict U.S. market access merely because of the use of listed cheese and meat terms. This reflects a familiar U.S. position in global trade negotiations, particularly in relation to generic food names. For Bangladesh, the immediate commercial stakes may be modest, but the precedent is not trivial. It could complicate future negotiations with the European Union and others that place greater emphasis on geographical indication protection.

The services clause prevents Bangladesh from adopting or maintaining measures that discriminate against U.S. services or service suppliers compared to domestic or third-country suppliers, subject to certain exceptions. This could have implications for telecommunications, financial services, digital platforms, logistics, education, and professional services. Bangladesh should examine whether existing or planned domestic regulatory measures could be challenged as discriminatory under this provision. The risk is not only legal. It is also developmental. A country at Bangladesh's income level may need selective policy space to build domestic service capabilities.

## **5. Agriculture and SPS: Food Security, Biosafety, and Regulatory Dependence**

The agricultural provisions are among the most intrusive from a domestic regulatory perspective. Bangladesh must provide non-discriminatory or preferential market access for U.S. agricultural goods as set out in Annex I and ensure SPS measures are science- and risk-based. That principle is not problematic in itself. Science-based SPS regulation is essential. The concern arises from the specific commitments in Annex III.

Bangladesh is required to recognize U.S. SPS measures and other measures for food and agricultural products as satisfying Bangladesh's requirements for imported food and agricultural products. Bangladesh must accept official U.S. government certification of compliance with U.S. requirements and ensure that future changes to bilateral export certification documents or electronic data elements are made with U.S. concurrence.

This could reduce import friction. But it also shifts Bangladesh toward reliance on U.S. regulatory determinations. A sovereign regulator should be able to recognize foreign systems where appropriate, but full recognition should be based on equivalence assessments, domestic law, risk profiles, and the capacity to suspend recognition if evidence changes.

The biotechnology provisions are particularly significant. Within 24 months of entry into force, Bangladesh must develop and implement a policy allowing a product of agricultural biotechnology that can be legally sold in the United States and has completed relevant U.S. premarket processes to be imported and marketed in Bangladesh for the same purposes without pre-market review, deregulation, additional labelling requirements, or approval by Bangladesh.

This is a major policy shift. Bangladesh has food security concerns and could benefit from biotechnology in some areas. Yet biotechnology regulation involves biosafety, consumer information, seed systems, farmer dependence, biodiversity, and public trust. Removing Bangladesh's own pre-market review or additional labelling requirements may generate

public resistance and reduce confidence in the regulatory process. A better approach would be mutual recognition combined with Bangladesh's right to conduct a targeted review where domestic ecological, health, or socio-economic concerns are present.

The agreement also includes detailed provisions on U.S. dairy, meat, poultry, egg products, maximum residue levels, plant and plant products, avian influenza regionalisation, halal certification, and import licensing for agricultural goods. Bangladesh must not require an import permit or letter of credit prior to shipment of food products or agricultural goods from the United States.

These provisions may benefit U.S. exporters, but Bangladesh must consider domestic producers. Poultry, dairy, livestock, processed food, and seed-related sectors are politically and economically sensitive. Sudden or poorly sequenced import liberalisation could create adjustment pressures for farmers and small agro-processors. Food security cannot be reduced to import availability alone. It must also include domestic production capacity, rural livelihoods, and resilience to external supply shocks.

## **6. Pharmaceuticals, Medical Devices, and Public Health Policy Space**

Annex III requires Bangladesh to accept U.S. FDA approvals or clearances as sufficient evidence that U.S.-manufactured medical devices and pharmaceutical products meet Bangladesh's marketing authorisation requirements. Bangladesh must also accept U.S. FDA electronic certificates and, in specified circumstances, FDA good manufacturing practice inspection results without further inspection by Bangladeshi authorities.

This could help reduce delays in access to high-quality U.S. medicines and medical devices. It may also ease pressure on Bangladesh's regulatory agencies. Yet Bangladesh has a strong domestic pharmaceutical sector, and public health policy space has been central to the country's development strategy. The agreement's intellectual property provisions, combined with commitments to accede to several IP treaties, could have long-term implications for medicines, patents, industrial designs, trademarks, plant varieties, copyright, and technology access.

Bangladesh must be especially cautious about the post-LDC transition. As LDC-related flexibilities narrow, premature or excessive strengthening of IP commitments could affect generic medicine production and access to affordable drugs. The agreement refers to a "robust standard" of intellectual property protection and effective civil, criminal, and border enforcement. Without careful safeguards, this could increase litigation risks, raise compliance costs, and strengthen the position of foreign right holders relative to domestic producers.

A balanced position would not deny the need for better IP administration. Bangladesh needs credible IP systems as it moves into higher-value production. But stronger IP rules must be sequenced with domestic innovation capacity, public health safeguards, competition policy, and continued use of lawful flexibilities under international rules.

## **7. Labour Commitments: Necessary Reforms, External Leverage, and Domestic Ownership**

The labour provisions are detailed and, in many respects, address longstanding concerns. Bangladesh is required to protect internationally recognized labour rights, prohibit imports made with forced or compulsory labour, enforce labour laws effectively, maintain necessary institutions, establish sanctions for violations, and avoid weakening labour protections to encourage trade or investment. The agreement explicitly includes export processing zones and sector-specific laws within its scope.

Annex III goes further. Bangladesh must amend the Bangladesh Labour Act and implementing rules to protect freedom of association and collective bargaining, lower the union registration threshold, limit the Director General's power to cancel union registration, increase penalties for anti-union discrimination, prohibit blacklisting, remove unreasonable restrictions on strikes, and strengthen labour inspection. It must also reform EPZ labour arrangements, resolve or withdraw certain pending criminal cases against garment workers and labour leaders, and create a transparent minimum wage review mechanism within three years, followed by annual reviews.

Substantively, many of these reforms are defensible. Bangladesh's labour regime has faced criticism for weak enforcement, barriers to unionisation, and uneven protection between EPZ and non-EPZ workers. Better labour rights could support social justice, reduce reputational risk, and help Bangladesh compete in markets where due diligence and sustainability standards are tightening.

Still, two concerns remain. First, reforms imposed through a trade agreement may be politically contested as external conditionality, even when the reforms themselves are necessary. This can undermine domestic legitimacy. Second, implementation will require administrative capacity, judicial efficiency, budgetary resources, trained inspectors, credible employer-worker dialogue, and protection against retaliatory practices. Legal amendments alone will not deliver meaningful change.

Bangladesh should, therefore, treat the labour provisions not as a concession to the United States but as a domestic reform agenda that must be owned nationally. However, the text should also be negotiated to ensure realistic timelines, technical assistance, capacity-building support, and balanced recognition of progress.

## **8. Environmental Provisions: Useful Direction, Broad Obligations**

The agreement requires Bangladesh to adopt and maintain environmental protections, enforce environmental laws, uphold or institute strong environmental governance structures, and address environment-related issues that contribute to non-reciprocal trade. Annex III includes provisions on illegal logging, resource efficiency, fisheries subsidies, sustainable fisheries management, illegal wildlife trade, and the implementation of the Convention on International Trade in Endangered Species (CITES) of Wild Fauna and Flora.

Many of these commitments align with Bangladesh's own interests. Environmental degradation imposes high costs on health, agriculture, fisheries, urban systems, and

export competitiveness. Stronger environmental governance is especially relevant for leather, textiles, shipbreaking, fisheries, forestry, and coastal resources.

The difficulty is that environmental provisions in trade agreements can become enforcement tools linked to market access. Bangladesh should avoid a situation in which broad environmental obligations become grounds for unilateral tariff penalties. The text should clarify benchmarks, timelines, capacity constraints, and the difference between deliberate non-compliance and implementation gaps arising from institutional weakness.

There is also a development finance issue. Cleaner production, fisheries monitoring, traceability, waste management, and enforcement systems require investment. If Bangladesh is expected to implement higher environmental disciplines, the agreement should include credible technical and financial cooperation, not merely obligations.

## **9. Digital Trade and Technology: Market Openness Versus Digital Sovereignty**

Section 3 and Annex III-Section 2 are highly consequential. Bangladesh must not impose digital services taxes or similar taxes that discriminate against U.S. companies. It must refrain from measures that discriminate against U.S. digital products, ensure free transfer of data across trusted borders for business, collaborate with the United States on cybersecurity, and avoid customs duties on electronic transmissions while supporting a permanent WTO moratorium.

Bangladesh must also recognize Global Cross-Border Privacy Rules (CBPR) and Privacy Recognition for Processors (PRP) certifications as mechanisms for cross-border data transfers, consult U.S. government and private-sector actors during formulation and revision of the Personal Data Protection Ordinance, incorporate freedom-of-expression safeguards under the Cyber Safety Ordinance 2025, amend or repeal the 2021 OTT/platform regulation to remove traceability requirements and encryption-key disclosure obligations, and open parts of the 6 GHz spectrum band for license-exempt wireless technologies.

Some provisions are positive. Bangladesh needs clearer data protection rules, better cybersecurity practices, and a more predictable digital regulatory environment. Requirements to protect freedom of expression and avoid excessive encryption-key disclosure could improve rights protections and investor confidence.

Taken together, these provisions could make Bangladesh's digital market more open and predictable for U.S. firms. But they may also narrow Bangladesh's future policy choices on digital taxation, data governance, platform regulation, and cybersecurity. The issue is not whether Bangladesh should modernize its digital rules. It should. The concern is whether such rules should be shaped primarily through a bilateral trade obligation that gives special weight to U.S. commercial and regulatory preferences.

From Bangladesh's perspective, the risks are practical as well as legal. As the digital economy expands, the government may need to tax large digital platforms in a fair and non-discriminatory way, regulate cross-border data flows, protect personal and financial data, and ensure that sensitive public-sector or national-security-related data are not

transferred without adequate safeguards. The agreement's language on free data transfer could be useful for businesses, especially exporters, freelancers, IT firms, and digital service providers. Yet without clearly stated exceptions for privacy, consumer protection, financial regulation, law enforcement, and national security, it could weaken Bangladesh's ability to design its own digital governance framework. The provision on consultations with U.S. actors during the formulation of the Personal Data Protection Ordinance is also politically sensitive. Stakeholder consultation is desirable, but Bangladesh must ensure that domestic citizens, local firms, regulators, civil society, and Parliament are not overshadowed by foreign commercial interests. A more balanced text would preserve cross-border digital commerce while explicitly protecting Bangladesh's sovereign right to regulate data, taxation, platforms, encryption, and online harms in the public interest.

The termination clause is especially troubling. If Bangladesh enters into a new digital trade agreement with another country that the United States considers jeopardizing essential U.S. interests, the United States may terminate the agreement and reimpose reciprocal tariffs if consultations fail. This gives the United States a powerful lever over Bangladesh's future digital diplomacy. Bangladesh should seek to refine this language so that legitimate U.S. concerns are addressed without unduly constraining Bangladesh's sovereign space to negotiate future digital trade arrangements with other partners.

## **10. Economic and National Security: The Agreement's Geopolitical Core**

The most politically sensitive part of the agreement lies in Section 4 and Annex III-Section 3. Bangladesh is required to adopt or maintain complementary restrictive measures in support of U.S. border measures or trade actions considered relevant to U.S. economic or national security. It must address practices of third-country-owned or controlled companies operating in Bangladesh if those practices affect U.S. trade interests. It must cooperate with the United States on export controls, sanctions, investment security, and restrictions on transactions that would violate U.S. sanctions or export controls if they occurred in the United States or by a U.S. person.

Annex III further requires Bangladesh to secure digital logistics platforms in ports and commercial fleets against data access by other foreign governments; restrict unauthorized export, re-export, and in-country transfer of U.S.-origin or U.S.-controlled items; screen and share customs and transaction data related to such items; develop domestic export-control systems with civil and criminal penalties; and seek to limit involvement of countries of national security concern in sensitive technology supply chains.

This is not routine trade language. It reflects the strategic trade architecture of a world shaped by U.S.-China rivalry, sanctions regimes, export controls, technology restrictions, and supply-chain security concerns. Bangladesh must consider the implications carefully.

Bangladesh's development strategy depends on diversified partnerships. China is a major infrastructure financier and trading partner. India is geographically central. Japan, the EU, South Korea, ASEAN, the Gulf, and multilateral institutions all matter. A provision requiring Bangladesh to adopt complementary restrictive measures in support of U.S. actions could complicate this balancing strategy. It may also expose Bangladesh to retaliation, reduced investment options, or diplomatic friction with other partners.

The agreement also provides that if Bangladesh enters into a new bilateral free trade agreement or preferential economic agreement with a non-market country that undermines the agreement, the United States may terminate the agreement and reimpose the applicable reciprocal tariff rate if consultations fail. Bangladesh must also avoid certain nuclear-related purchases from countries that jeopardize essential U.S. interests, subject to limited exceptions.

These provisions go well beyond trade reciprocity. They could affect Bangladesh's future FTA strategy, energy planning, infrastructure procurement, technology partnerships, and defense choices. The language "jeopardizes essential U.S. interests" is broad and subjective. Bangladesh should seek precise definitions, objective criteria, and safeguards against unilateral interpretation.

## **11. Commercial Purchase Commitments: Trade Agreement or Managed Procurement Package?**

Annex III-Section 6 sets out commercial considerations. Bangladesh is expected to facilitate Biman Bangladesh Airlines' purchase of 14 Boeing aircraft, with an option for additional aircraft. It is also expected to purchase or facilitate the purchase of U.S. energy, including long-term LNG offtake agreements estimated at US\$ 15 billion over 15 years. Agricultural purchases include wheat of at least 700,000 metric tons per year for five years, soy and soy products of at least US\$ 1.25 billion or 2.6 million metric tons over one year, and cotton, with an estimated total value of US\$ 3.5 billion. Bangladesh is also expected to increase purchases of U.S. military equipment and limit military equipment purchases from certain countries.

These provisions deserve close scrutiny. Some purchases may be commercially justified. Bangladesh needs aircraft, energy, food commodities, cotton for the textile sector, and defense equipment. U.S. suppliers may offer high-quality products. But embedding large procurement intentions inside a trade agreement risks weakening competitive tendering, value-for-money assessment, debt sustainability analysis, and strategic diversification.

The LNG commitment is particularly significant. A US\$ 15 billion estimated value over 15 years could have implications for Bangladesh's energy transition, foreign exchange pressure, power-sector liabilities, and long-term dependence on imported fossil fuels. If LNG is needed as a transition fuel, the terms should be transparent, flexible, and consistent with least-cost energy planning. Long-term take-or-pay arrangements could become burdensome if demand projections, prices, or renewable energy costs shift.

The aircraft purchase language also requires careful evaluation. Biman's fleet planning should be based on route economics, maintenance costs, financing terms, passenger demand, airport capacity, and operational efficiency, not diplomatic pressure. Similarly, agricultural purchases should support food security without undermining domestic producers or narrowing Bangladesh's sourcing options.

The military procurement clause is perhaps the most sensitive. It asks Bangladesh to increase purchases of U.S. military equipment and limit purchases from certain countries. This links trade treatment to security alignment. However, Bangladesh should approach

such commitments carefully, ensuring that future defense procurement decisions remain guided by national security needs, value for money, and balanced external relations.

## **12. Enforcement and Termination: A Strong Unilateral Lever for the United States**

Section 6 confirms that annexes, appendices, and footnotes form an integral part of the agreement. It allows modifications and amendments in writing, contains rules-of-origin provisions, and establishes enforcement rules. The enforcement clause is striking. Nothing in the agreement prevents a party from imposing additional tariffs to remedy unfair trade practices, address import surges, protect economic or national security, or for similar reasons consistent with its law. If the United States considers that Bangladesh has not complied with a provision, it may seek consultations where practicable. If consultations do not produce a satisfactory outcome, the United States may reimpose the applicable reciprocal tariff rate under Executive Order 14257 on certain or all imports from Bangladesh.

This creates a major imbalance. The United States appears to retain wide discretion to judge non-compliance and respond with tariffs. Bangladesh's reciprocal enforcement rights are much less visible in practical terms, given the asymmetry in market power. For a country whose exports are highly concentrated in garments and whose producers operate on thin margins, the threat of tariff reimposition could have a chilling effect on policy choices.

The termination provision allows either party to terminate with 60 days' written notice. On paper, this is symmetrical. In reality, the cost of termination may be much higher for Bangladesh if exporters become dependent on the agreement's tariff treatment. The United States' ability to reimpose reciprocal tariffs also gives it leverage during implementation disputes.

Bangladesh should, therefore, insist on a more balanced dispute-settlement process. At a minimum, tariff reimposition should require defined procedures, written reasons, proportionality, reasonable cure periods, and independent review or arbitration. Otherwise, the agreement may operate less as a rules-based trade compact and more as a conditional market-access instrument.

## **13. Macroeconomic and Fiscal Implications for Bangladesh**

The agreement could affect Bangladesh's fiscal position in several ways. First, tariff elimination or reduction on U.S. goods would reduce customs-related revenue, especially because customs duty, supplementary duty, and regulatory duty are all included in the definition of customs duty. For a country with a low tax-to-GDP ratio and significant dependence on trade taxes, this is not a minor issue. The revenue impact would depend on the product coverage and import response, but the direction is clear: tariff concessions create fiscal pressure unless compensated by domestic tax reform.

Second, import liberalisation could help reduce the bilateral trade surplus with the United States if U.S. exports rise faster than Bangladeshi exports. However, the commercial purchase commitments for aircraft, LNG, agricultural products, and military equipment

could add to foreign exchange demand. Some imports may be productive and necessary. Still, the timing matters. Bangladesh has faced external-sector pressures in recent years, and large dollar-denominated purchase commitments should be assessed against reserves, debt service, energy-sector liabilities, and the exchange-rate outlook.

Third, domestic sectors could face adjustment costs. U.S. agricultural, pharmaceutical, medical device, vehicle, digital, and services firms may gain improved access to Bangladesh's market. Some consumers and businesses may benefit from better products or lower prices. But domestic producers may face stronger competition before they are ready. Without adjustment support, the burden may fall on small firms, farmers, and local service providers.

Fourth, the agreement may affect industrial policy. Bangladesh has relied on tariff differentiation, bonded warehouse facilities, export incentives, regulatory discretion, and sectoral support to develop export industries. Some of these tools are already under pressure because of LDC graduation and WTO disciplines. This agreement could further narrow the space for selective policy support, especially if U.S. firms can challenge measures as discriminatory or non-reciprocal.

#### **14. Implications for Bangladesh's Industrial Strategy**

Bangladesh needs a broader industrial policy. The country must move beyond excessive reliance on basic garment exports and build capabilities in man-made fibre apparel, technical textiles, pharmaceuticals, light engineering, electronics, agro-processing, digital services, logistics, and renewable-energy-related industries. The agreement should be judged against this objective.

Some provisions could help. Better customs procedures, electronic certification, transparent regulations, digital logistics, and predictable investment rules could reduce transaction costs. Stronger labour and environmental standards could help Bangladesh remain credible in global markets. Improved IP administration may support innovation over time.

But other provisions may constrain industrial strategy. Restrictions on technology-transfer requirements, limits on preferences for particular technologies, broad non-discrimination obligations in services, liberalisation of foreign equity caps, and recognition of U.S. standards could reduce Bangladesh's ability to nurture domestic firms. The agreement's approach to remanufactured goods, vehicles, agricultural biotechnology, medical devices, pharmaceuticals, and digital platforms may open domestic markets before local regulatory and productive capacities mature.

Industrial policy is not the same as protectionism. It requires performance discipline, competition, export orientation, learning, and institutional capability. But it also requires room to experiment. Bangladesh should, therefore, seek to ensure that the agreement preserves adequate policy space for industrial upgrading, while aligning liberalisation commitments with clear, predictable, and commercially meaningful market-access benefits.

## 15. Strategic Risks: Dependency, Alignment, and Negotiating Precedent

The agreement could create three broader strategic risks.

The first is dependency. If Bangladesh accepts wide regulatory recognition of U.S. systems across food, agriculture, pharmaceuticals, medical devices, digital trade, and export controls, it may gradually reduce its own regulatory learning. This would be unfortunate. Bangladesh needs stronger domestic institutions, not merely reliance on foreign certification.

The second is alignment risk. The economic and national security provisions could push Bangladesh closer to U.S. strategic positions in ways that affect relations with other partners. Bangladesh has generally pursued a pragmatic, balanced foreign economic policy. A trade agreement should not force it into a rigid geopolitical lane.

The third is precedent. If Bangladesh accepts this agreement in its current form, other major partners may seek similar or competing concessions. The EU may demand stronger labour, environmental, sustainability, and GI protections. China, India, Japan, and ASEAN may ask for their own preferential treatment. Bangladesh must think not only about this agreement but also about the template it creates.

## 16. What Bangladesh Should Renegotiate

Bangladesh should consider renegotiation around several priority areas.

First, the United States should provide clearer and deeper market-access gains. Bangladesh should seek product-specific tariff relief for apparel and other key exports, not merely a cap on additional duties. The agreement should specify coverage, rules of origin, treatment of major export lines, and safeguards against future unilateral tariff escalation.

Second, Bangladesh should preserve regulatory policy space. Recognition of U.S. standards and certificates should be risk-based, sector-specific, and subject to Bangladesh's right to inspect, suspend, or impose additional requirements where justified by health, safety, environmental, consumer protection, or public-interest concerns.

Third, agricultural biotechnology provisions should be revised. Bangladesh should not waive all pre-market review or labelling requirements simply because a product is legally sold in the United States. A fast-track review mechanism would be more appropriate than automatic acceptance.

Fourth, digital trade commitments should include privacy, cybersecurity, public order, taxation, and national development exceptions. Bangladesh should retain the ability to design non-discriminatory digital taxation and data-governance policies.

Fifth, economic security provisions should be narrowed. Terms such as "essential U.S. interests," "non-market country," and "countries of national security concern" must be clearly defined. Bangladesh should not accept open-ended restrictions on future FTAs, nuclear procurement, technology partnerships, or defense purchases.

Sixth, commercial purchase commitments should be separated from the trade agreement or converted into non-binding expressions of interest subject to competitive procurement, value-for-money assessment, debt sustainability, and national energy and transport plans.

Seventh, enforcement provisions should be balanced. The United States should not have broad unilateral authority to reimpose tariffs based on its own assessment of Bangladesh's compliance. A credible dispute-settlement mechanism is necessary.

Eighth, implementation timelines must reflect Bangladesh's administrative capacity. Labour inspection, customs digitalisation, SPS systems, export controls, environmental enforcement, data protection, and regulatory impact analysis all require time, budgets, training, and institutional reform. The agreement should include technical assistance and transitional arrangements.

## **17. Domestic Policy Preparation**

Bangladesh should not treat this agreement as a matter for trade officials alone. Its implications cut across many ministries and agencies: commerce, finance, foreign affairs, law, agriculture, fisheries, labour, environment, ICT, telecom, energy, civil aviation, defense, Bangladesh Bank, NBR, BSTI, DGDA, BIDA, BEPZA, BEZA, the Competition Commission, and sector regulators.

A national review process is needed before any final commitment. This process should include:

1. A fiscal impact assessment of tariff concessions and purchase commitments.
2. A sectoral impact study for agriculture, pharmaceuticals, medical devices, digital services, vehicles, textiles, poultry, dairy, and logistics.
3. A legal compatibility review with Bangladesh's Constitution, domestic laws, WTO commitments, and existing bilateral or regional obligations.
4. A strategic assessment of implications for relations with China, India, the EU, Japan, ASEAN, the Gulf, and multilateral institutions.
5. A labour and social impact review involving workers' organisations and employers.
6. A public health and food-safety review of SPS, biotechnology, pharmaceuticals, and medical device provisions.
7. Parliamentary scrutiny and public disclosure before ratification.

Bangladesh should also build a negotiation unit capable of handling complex trade agreements. The agreement shows how modern trade negotiations now involve data, platforms, sanctions, standards, defence, procurement, labour, environment, and supply-chain security. A narrow tariff-negotiation capacity is no longer enough.

## **18. Comparative Perspective: The Bangladesh Deal Against U.S. Arrangements with Malaysia, Indonesia, and Vietnam**

A comparison with the U.S. arrangements involving Malaysia, Indonesia, and Vietnam suggests that the proposed U.S.-Bangladesh agreement is not an isolated instrument; it

appears to be part of a wider U.S. effort to convert tariff pressure into broader regulatory, commercial, and strategic commitments. Yet the degree of flexibility differs across countries. Malaysia's agreement is also wide-ranging and includes tariff concessions, non-tariff barrier commitments, standards-related obligations, and economic-security alignment. However, the Malaysian text contains at least some language pointing to U.S. institutional support, including a provision that the United States shall work through institutions such as the Export-Import Bank of the United States and the U.S. International Development Finance Corporation to consider investment financing in critical sectors in Malaysia, where eligible and consistent with U.S. law.<sup>4</sup> Bangladesh's agreement, by contrast, places extensive obligations on Bangladesh across tariffs, SPS, pharmaceuticals, digital regulation, labour, environment, export controls, procurement, and commercial purchases, but contains far fewer comparable U.S. commitments beyond tariff treatment and selected cooperation.

Indonesia's agreement is very similar to Bangladesh's agreement and also carries substantial obligations. Indonesia is required to apply tariff commitments to U.S. goods and not impose or maintain quantitative restrictions, including through import licensing or commodity-balance programmes, except in accordance with GATT 1994. The U.S.–Indonesia Agreement on Reciprocal Trade, signed in February 2026, sets a U.S. tariff rate of 19 percent on Indonesian exports. In return, Indonesia agreed to lower trade barriers on 99 percent of American imports, waive local content requirements for U.S. firms, and purchase US\$ 33-38 billion in U.S. aircraft, agricultural products, and energy commodities.<sup>5</sup>

The Vietnam case is even more revealing because, at least in the publicly available documents, it remains framed as a “framework” rather than a fully detailed final agreement. Vietnam has agreed to provide preferential market access for substantially all U.S. industrial and agricultural exports, while the United States will maintain a 20 percent reciprocal tariff rate for Vietnamese goods and identify some products for zero reciprocal tariff treatment.<sup>6</sup> But much of the language on non-tariff barriers, digital trade, services, investment, labour, environment, customs, and state-owned enterprises is framed as areas the two sides will “finalize,” “engage,” or “work constructively” on.<sup>7</sup> That leaves Vietnam with more negotiating space, at least at the framework stage. Bangladesh's text, in contrast, is much more prescriptive. It sets out detailed “shall” obligations across domestic regulatory fields, leaving less room for phased negotiation after signature.

The comparison, therefore, points to a central concern for Bangladesh. Malaysia and Vietnam have also accepted demanding U.S. trade and regulatory expectations, but their arrangements appear to contain either clearer reciprocal benefits, additional institutional support, or more room for further negotiation. Bangladesh's and Indonesia's agreements seem more rigid. They combine detailed domestic reform commitments with large

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<sup>4</sup> See <https://www.whitehouse.gov/briefings-statements/2025/10/agreement-between-the-united-states-of-america-and-malaysia-on-reciprocal-trade/> "Agreement Between the United States of America and Malaysia on Reciprocal Trade – The White House"

<sup>5</sup> See <https://ustr.gov/sites/default/files/files/Press/Releases/2026/02.19.26%20US-IDN%20ART%20Full%20Agreement%20-%20US%20Final%20for%20Website%20sanitized.pdf>

<sup>6</sup> See <https://www.whitehouse.gov/briefings-statements/2025/10/joint-statement-on-united-states-vietnam-framework-for-an-agreement-on-reciprocal-fair-and-balanced-trade/>

<sup>7</sup> <https://ustr.gov/about/policy-offices/press-office/fact-sheets/2025/october/fact-sheet-united-states-and-viet-nam-reach-framework-agreement-reciprocal-fair-and-balanced-trade>

commercial purchase expectations and strategic-security alignment, while the U.S. concessions remain limited, conditional, and potentially reversible. From Bangladesh's perspective, this does not mean disengagement is wise. Rather, it suggests that Bangladesh should seek treatment no less flexible than that offered to comparable Asian partners, including clearer zero-tariff product coverage, commercially usable textile provisions, longer transition periods, technical and financial support for implementation, and more balanced enforcement language.

## **19. Conclusion**

The reciprocal trade agreement with the United States is a turning point document. It offers Bangladesh a possible route to reduce exposure to additional U.S. reciprocal tariffs and deepen commercial relations with a major economic partner. But the price is high. The agreement asks Bangladesh to undertake far-reaching commitments across tariffs, standards, agriculture, biotechnology, IP, services, investment, labour, environment, digital governance, export controls, sanctions-related cooperation, strategic procurement, and national security alignment.

Some reforms embedded in the agreement are reforms Bangladesh should pursue anyway. Customs modernisation, labour rights, regulatory transparency, anti-corruption, environmental enforcement, and better investment facilitation are part of Bangladesh's own development agenda. But the agreement's structure appears asymmetric. It turns many domestic reform priorities into externally enforceable obligations while offering limited, conditional, and potentially reversible U.S. market-access benefits.

Bangladesh should, therefore, move beyond a binary acceptance-or-rejection position and treat the agreement as a text requiring careful recalibration. A straight rejection may not be the most prudent course, given Bangladesh's limited geopolitical leverage, its dependence on the U.S. market for apparel exports, and the absence of an immediate fallback arrangement that could provide comparable market assurance. The better approach is strategic renegotiation. Bangladesh should seek stronger U.S. tariff concessions, clearer safeguards, narrower security clauses, more balanced enforcement, realistic implementation timelines, and explicit protection of development policy space. It should also ensure that any commercial purchases are commercially justified and consistent with macroeconomic stability.

A well-designed agreement with the United States could serve Bangladesh's interests. It could support export resilience, investment, regulatory upgrading, and institutional reform. But an agreement that compromises policy autonomy, narrows strategic options, and imposes one-sided obligations would be costly. Bangladesh's task is to engage, but not from a position of haste. It must negotiate as a graduating LDC with legitimate development needs, not as a passive recipient of externally defined reciprocity.

The South Asian Network on Economic Modeling (SANEM), established in 2007, is a Dhaka-based non-profit research organization. Over the past nearly two decades, it has grown into an international platform for economists, researchers, policymakers, and institutions committed to promoting high-quality, evidence-based economic analysis and informed policy advocacy in Bangladesh, South Asia, and beyond. SANEM conducts both quantitative and qualitative research on a broad range of development issues, including macroeconomics, international trade, poverty, inequality, labor markets, climate change, political economy, renewable energy, human capital, agriculture, social protection, and sustainability, and translates its findings into policy briefs, technical papers, and public discussions aimed at supporting effective decision-making. Through collaborative projects, training programs, conferences, publications, and initiatives for young economists, SANEM plays a key role in strengthening research capacity, fostering policy engagement, and contributing to inclusive and sustainable economic development in the region.

