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When BRI Meets Conditional Trade: Bangladesh's Dual Dependency Trap in the Age of U.S.-China Competition

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ABSTRACT

This paper examines Bangladesh's evolving trade strategy at the intersection of competing geoeconomic pressures from the United States and China, arguing that the country functions as a "strategic swing economy" whose hedging capacity is increasingly constrained by structural asymmetries. Through analysis of the 2026 U.S.-Bangladesh Reciprocal Trade Agreement and Bangladesh's deepening infrastructure integration with China's Belt and Road Initiative (BRI), the study reveals a central tension: while U.S. engagement offers enhanced market access conditional on labor, environmental, and digital governance reforms, Chinese cooperation provides flexible development financing and infrastructure investment that generate long-term dependency without explicit governance conditionalities. The findings contribute to Belt and Road discourse in three critical ways. First, they demonstrate that BRI-induced infrastructure integration does not automatically expand strategic autonomy for recipient countries; rather, when combined with parallel trade alignment toward Western markets, it can produce fragmented economic systems and dual dependency traps. Second, the paper challenges binary narratives of BRI as either neocolonial domination or mutually beneficial development, revealing instead how connectivity-driven development coexists uneasily with competing regulatory regimes, creating compound constraints on policy sovereignty. Third, by introducing the "strategic swing economy" concept, the analysis shows that mid-sized developing nations actively shape their engagement with China, yet face diminishing maneuvering space as trade agreements increasingly embed strategic alignment. These findings suggest that sustainable BRI cooperation requires frameworks that explicitly reconcile infrastructure financing with policy autonomy, enabling recipient countries to transition from passive rule-takers to active participants in shaping global economic governance norms.

1. Introduction

Over the past three decades, Bangladesh has become a dynamic export-oriented economy, largely due to its ready-made garment (RMG) sector. This export-led growth has fostered economic expansion, reduced poverty, and facilitated structural transformation, positioning the country for a transition from least developed to middle-income status (World Bank, 2023; Rahman, 2021). The transformation has led to vulnerabilities such as high export concentration, reliance on external markets, and limited industrial diversification. As Bangladesh nears its post-LDC transition, these issues are becoming more pronounced amid shifting global trade dynamics and intensifying geopolitical competition.

The post-LDC transition is a crucial turning point for Bangladesh's trade policy, as graduation means the gradual loss of preferential market access, including duty-free and quota-free privileges that have supported the competitiveness of Bangladeshi exports in advanced markets (UNCTAD, 2021). Maintaining export competitiveness will rely on deeper integration into trade frameworks, improved regulatory compliance, and upgraded industrial capabilities. Meanwhile, the global trade environment is transforming due to geopolitical rivalries, supply chain restructuring, and the strategic economic actions of major powers (Farrell & Newman, 2019; Drezner et al., 2021). Trade agreements now extend beyond tariff reductions to encompass labor standards, digital governance, environmental regulation, and supply chain security, linking market access to broader regulatory and strategic issues (Baldwin, 2022; Rodrik, 2018).

In the current global landscape, Bangladesh is caught between competing geoeconomic forces, particularly the United States and China. The U.S. is Bangladesh's largest export destination, importing a significant portion of its garment exports and supporting its export-led growth model (Uddin, 2025; World Bank, 2023). The 2026

United States–Bangladesh trade framework aims to stabilize and deepen their relationship amid tariff, supply chain, and regulatory uncertainties. This engagement is increasingly contingent on labor rights, environmental compliance, intellectual property protection, and digital trade governance, highlighting the trend among advanced economies to incorporate regulatory norms into trade agreements (Baldwin, 2022; Aaronson & Leblond, 2018).

China is Bangladesh's largest trading partner and a key part of its development strategy, with a focus on infrastructure financing, industrial investment, and technological cooperation. Through initiatives such as the Belt and Road Initiative, Chinese capital has significantly contributed to the development of Bangladesh's transport networks, energy systems, and industrial zones, supporting its structural transformation (Mashrafy & Ullah, 2024). Chinese economic engagement, unlike Western trade arrangements, often features lower governance conditionality, flexible financing, and a focus on large-scale infrastructure development. This makes China an attractive partner for Bangladesh in addressing infrastructure deficits and fostering industrial expansion.

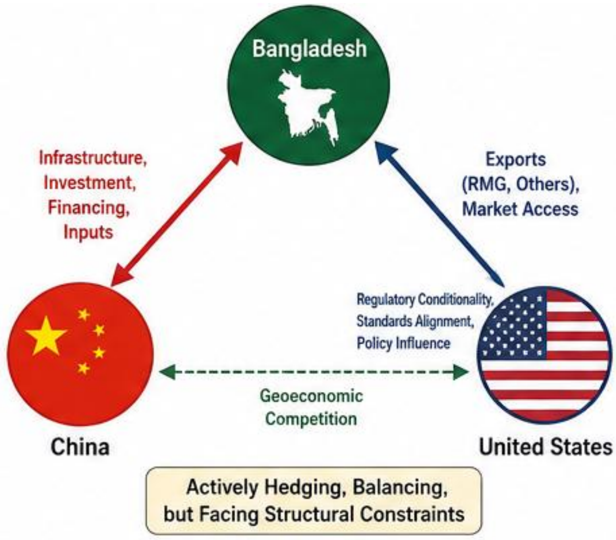
The coexistence of these two economic relationships reflects Bangladesh's broader strategy of diversified engagement, often described as a "multi-vector" foreign economic policy (Datta, 2026). Bangladesh aims to maximize economic opportunities and maintain strategic autonomy by fostering ties with major powers. However, rising geopolitical competition, especially between the U.S. and China, complicates this balance. Trade agreements have become tools of geoeconomic strategy, with economic partnerships increasingly influenced by broader strategic pressures (Scholvin & Wigell, 2018; Güneylioglu, 2023). Bangladesh's trade policy is characterized by a central tension between deepening ties with the United States and reliance on China. Engaging with the U.S. offers benefits such as improved market access and integration into global supply chains, but it also entails regulatory constraints that can affect domestic policy. In contrast, reliance on China provides financing and infrastructure support with fewer conditions attached, though it risks long-term dependence and limits diversification.

This paper argues that Bangladesh is becoming a "strategic swing economy," aiming to maximize economic gains by balancing relationships with competing major powers. However, its ability to maintain this strategy is hindered by three factors: asymmetric trade agreement conditions with advanced economies, structural dependencies within global production networks, and geopolitical tensions stemming from great-power rivalries. The study investigates how Bangladesh navigates these competing trade alignments and the challenges posed by its growing engagement with the U.S. alongside established ties with China. It aims to contribute to discussions on trade policy, development, and geopolitical competition in the Global South.

2. Conceptual Framework: Trade Policy in a Geopolitical Economy

The shift in global trade from a rules-based system to one influenced by geopolitical competition requires a new approach to trade policy. For developing economies like Bangladesh, trade policy now encompasses more than just tariffs and market access; it is part of a broader geopolitical economy where economic tools are used to pursue strategic interests and alter global production networks. This section proposes a framework to analyze Bangladesh's evolving trade strategy by integrating strategic autonomy, small-state balancing, and the changing dynamics of geoeconomics and globalization. As illustrated in Figure 1, Bangladesh operates within a triangular geoeconomic structure, balancing export dependence on the United States with infrastructure and supply chain reliance on China.

Figure 1. Bangladesh as a Strategic Swing Economy



Source: Illustrated by the author.

2.1 Strategic Autonomy in Trade Policy

The concept of strategic autonomy has become more important as states navigate an uncertain global economic environment. It refers to a state's ability to make independent policy decisions and pursue national objectives without relying too much on external actors (GEOPOL.UK 2026). In trade policy, the concept of strategic autonomy goes beyond formal sovereignty, allowing countries to shape domestic regulations, industrial policies, and international partnerships to meet national development goals. Recent research links this idea to rising concerns about supply chain vulnerabilities, economic coercion, and technological dependence (Steinbach, 2023). As global production networks grow more fragmented and interdependent, states are increasingly aware of the risks associated with external dependencies in critical sectors such as energy, technology, and manufacturing. As a result, trade policy has shifted to focus on managing interdependence rather than just promoting liberalization.

The pursuit of strategic autonomy is limited by economic interdependence. Research on European trade policy shows that states balance multilateral cooperation with unilateral action, staying open to global markets while protecting domestic interests (Kübek & Mancini, 2023). For developing economies, balancing integration into global value chains with maintaining policy flexibility is challenging due to structural dependencies. Thus, strategic autonomy is not absolute but a relative outcome influenced by power asymmetries and institutional constraints.

2.2 Small-State Balancing and Trade Strategy

The challenges of strategic autonomy are particularly significant for smaller and mid-sized economies, which lack the structural power of larger states but are deeply integrated into global economic networks. Small-state theory suggests these countries adopt balancing strategies to navigate relationships with major powers, often seeking diversified partnerships to enhance economic opportunities and minimize vulnerability.

This balancing behavior manifests in trade policy, where smaller states engage with multiple major powers elaborating on one for exports and another for investment. However, the rise of great-power competition complicates these strategies, as economic relations become more politicized. Scholars argue that geopolitical alignment increasingly influences trade flows, thereby pressuring states to align with competing economic blocs (Farrell & Newman, 2019) creating a structural dilemma for countries like Bangladesh, which must navigate overlapping and sometimes conflicting economic relationships.

2.3 Geoeconomics versus Globalization

Trade policy dynamics can be better understood by distinguishing between globalization and geoeconomics. Traditional globalization theories focus on efficiency gains from open markets and cooperation, portraying trade as beneficial for growth and interdependence. However, recent scholarship indicates a shift toward a geoeconomic paradigm, in which states leverage economic tools including trade agreements and investment flows—to achieve strategic aims (Drezner et al., 2021). This shift indicates a transformation in the global economy, where interdependence is seen as both a source of gain and a potential vulnerability.

Contemporary analyses depicts that globalization persists but is now more contested and fragmented, marked by a tension between cooperation and competition (Mariotti, 2025). States now seek to reshape global economic networks to enhance their strategic position, leading to the emergence of concepts such as "weaponized interdependence" and techno-nationalism (Farrell & Newman, 2019). In this environment, trade policy is increasingly intertwined with issues of economic security, technological control, and geopolitical alignment.

2.4 Defining the "Strategic Swing Economy

This study introduces the concept of a strategic swing economy to analyze Bangladesh's role in the global trade system. A strategic swing economy is a mid-sized developing state that leverages relationships with competing major powers to maximize economic gains while maintaining policy autonomy. Key characteristics include:

1. An intermediate position in the global hierarchy, attracting partnerships without being a dominant power.
2. Diversified economic ties with multiple major powers across various sectors.
3. A hedging strategy that seeks benefits from competing partners without exclusive commitments.

However, this position is fragile; rising geopolitical competition may put pressure on regulatory alignment, supply chain integration, and strategic cooperation, potentially undermining sustained neutrality. The concept highlights both agency and constraints, reflecting the structural tensions involved.

2.5 Analytical Dimensions

To operationalize this framework, the analysis focuses on three key trade-offs Bangladesh faces in its relations with major powers:

1. Market Access vs. Policy Sovereignty - Trade agreements often require regulatory commitments in areas like labor and environmental standards, which can enhance export competitiveness but may limit domestic policy autonomy (Rodrik, 2018). This creates a trade-off between accessing markets and maintaining policy independence.
2. Conditional vs. Non-Conditional Partnerships - Economic partnerships vary in the governance conditions they impose. Advanced economies often include explicit conditionalities in trade agreements, while others may offer more flexible cooperation. This influences the strategic choices and potential benefits for developing economies.
3. Trade vs. Infrastructure Dependency - Bangladesh's economic relationships are marked by reliance on export markets for trade and external financing for infrastructure. Different geopolitical actors shape these interrelated dependencies and are crucial for understanding the implications of Bangladesh's trade strategy.

3. Bangladesh–China Economic Relationship

The economic relationship between Bangladesh and China has become a key partnership in Bangladesh's development. In the last two decades, China has emerged as Bangladesh's largest trading partner and a vital source of infrastructure financing and industrial inputs (Islam et al, 2024). This relationship highlights the growing economic ties between China and developing economies, marked by increased trade, investment, and infrastructure collaboration. While it has significantly boosted Bangladesh's growth and transformation, it also raises concerns about dependency and strategic vulnerability (Titumir & Rahman, 2019).

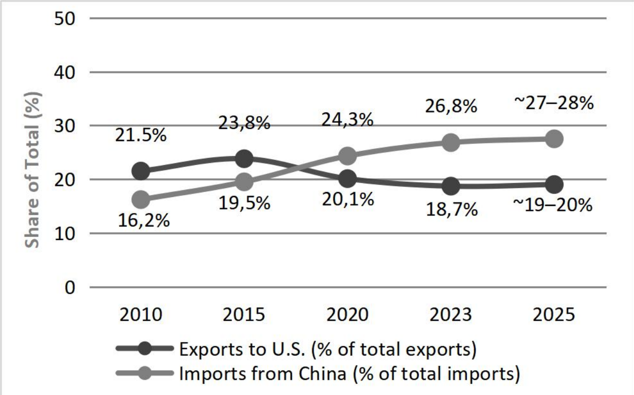
3.1 Trade Structure and Dependency

China is the largest source of imports for Bangladesh, significantly supplying intermediate and capital goods essential for domestic production (Razzaque et al., 2020). Chinese exports to Bangladesh, including machinery, textiles, and electronics, are vital for the country's manufacturing sectors, particularly the ready-made garment industry. These products account for over one-fifth of Bangladesh's total imports, highlighting the strength of its trade relationship (Islam et al, 2024). Figure 2 demonstrates the deepening structural asymmetry in Bangladesh’s trade profile.

Bangladesh's production model is heavily reliant on imported raw materials from China, particularly for its garment industry. This creates an upstream dependency on Chinese supply networks for domestic production.

Additionally, the trade relationship is imbalanced, with imports from China accounting for a large share of Bangladesh's trade, while exports to China are minimal, representing only a small fraction of total exports (Razzaque et al., 2020). The Bangladesh–China trade relationship exhibits asymmetric interdependence, in which Bangladesh relies disproportionately on China due

Figure 2. Trade dependence: Bangladesh and major partners (2010-2025)



*2025 estimates

Source: World Bank (2023) WITS; IMF (2024) Direction of Trade Statistics.

to structural constraints such as limited product diversification and weak market penetration. This imbalance has significant economic policy implications. Although affordable industrial inputs boost production and export competitiveness, ongoing trade deficits create external vulnerabilities, including pressure on foreign exchange reserves and limited bargaining power in negotiations. The where dependency both supports and restricts development defines Bangladesh's economic ties with China. Here table 1 highlights Bangladesh's dual dependency structure export reliance on the U.S. and import dependence on China.

Table 1. Bangladesh's Trade Dependence by Major Partners (2010–2025)

Year	Exports to U.S. (% of total exports)	Imports from China (% of total imports)	Trade Balance with China (USD bn)
2010	21.5%	16.2%	-5.4
2015	23.8%	19.5%	-8.1
2020	20.1%	24.3%	-12.5
2023	18.7%	26.8%	-15.2

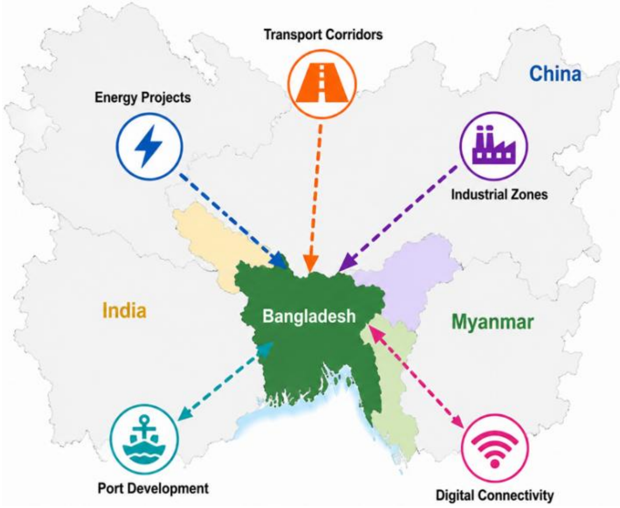
Source: World Bank and IMF Data

3.2 Infrastructure and Development Financing

China is crucial to Bangladesh's infrastructure development, particularly through the Belt and Road Initiative (BRI) launched in 2013. The BRI has expanded China's economic influence across Asia and Africa, with Bangladesh becoming a key partner due to its strategic location and development needs (Islam et al, 2024).

Chinese financing has played a crucial role in addressing Bangladesh's infrastructure deficits, with a focus on energy, transportation, and industrial development. Key projects such as power plants, highways, railways, and ports enhance connectivity, reduce logistical costs, and support industrial growth, contributing to the country's overall development goals (Titumir & Rahman, 2019). Figure 4 maps the sectoral and geographic distribution of Chinese-supported infrastructure projects in Bangladesh. Chinese involvement in infrastructure development is notable for its scale and rapid implementation, driven by state-owned enterprises and government-backed financing. This rapid execution appeals to developing

Figure 3. Bangladesh-China Infrastructure Connectivity under BRI



Source: Based on Belt and Road Portal (2024) data.

economies seeking to boost growth and address infrastructure challenges. However, concerns arise regarding financial sustainability and governance, with potential risks of debt accumulation and challenges in project viability and transparency (Titumir & Rahman, 2019). While Bangladesh has so far managed its external debt relatively prudently, the long-term implications of sustained reliance on external financing remain a subject of policy debate.

3.3 Nature of Chinese Engagement

China's economic engagement with Bangladesh is characterized by rapid, large-scale projects, primarily driven by state-owned enterprises and centralized decision-making. Additionally, Chinese partnerships often come with minimal governance conditionality, distinguishing them from Western development models (Titumir & Rahman, 2019). Chinese financing and investment typically lack explicit requirements for governance reforms or political conditions, giving recipient countries flexibility in their development strategies. Additionally, engagement is primarily state-led, with strong coordination among government institutions, financial entities, and corporate actors (Akter et al., 2023; Titumir & Rahman, 2019).

China's approach offers Bangladesh access to financing, technology, and infrastructure development opportunities that are often not available through traditional Western channels (Akter et al., 2023). Chinese engagement enhances Bangladesh's developmental flexibility, allowing it to pursue large-scale projects without strict policy conditions. However, this model poses risks, such as creating long-term dependencies on a single partner. As Bangladesh integrates its infrastructure and industrial sectors with China, it may struggle to diversify its economic partnerships or adjust its policy direction (Titumir & Rahman, 2019). The Bangladesh–China economic relationship exemplifies a complex interplay of opportunity and constraint. China's support for infrastructure and industrial growth fosters dependency, raising concerns about long-term sustainability and strategic autonomy. This duality is key to understanding Bangladesh's position in a shifting geoeconomic landscape as it navigates relationships with various major powers.

4. Bangladesh–United States Trade Engagement

The economic relationship between Bangladesh and the United States is crucial for Bangladesh's export-driven growth. Unlike its engagement with China, which focuses on infrastructure and industrial inputs, the U.S. relationship is centered on market access. This highlights a structural duality in Bangladesh's economy, balancing dependence on Western markets with ties to Asian economies. The 2026 United States–Bangladesh Agreement on Reciprocal Trade marks a significant evolution in this relationship, introducing regulatory alignment and strategic cooperation beyond traditional trade (White House, 2026).

4.1 Overview of Trade Relations

The United States is Bangladesh's largest export destination, especially for ready-made garments (RMG), which are vital to the country's economy. U.S. demand drives industrial growth, job creation, and foreign-exchange earnings in Bangladesh (World Bank, 2023). Bangladesh exports billions of dollars in garments to the U.S. each year, accounting for a significant share of its total export earnings and solidifying its status as a leading global apparel supplier (Tradeimex, 2026). Bangladesh's export dependence on the U.S. creates both opportunities and vulnerabilities. While it has spurred rapid industrial growth and integration into global supply chains, it also exposes the country to external shocks and regulatory pressures from this dominant market. This vulnerability has been highlighted by events such as the suspension of GSP benefits due to labor rights concerns, demonstrating the link between U.S. trade relations and governance issues.

4.2 The New Trade Deal (2026)

The 2026 United States–Bangladesh Agreement on Reciprocal Trade marks a significant step in bilateral economic relations, reducing tariffs on Bangladeshi exports to a capped rate of around 19 percent and enhancing market access for both countries (USTR, 2026). Selected textile and apparel products may receive preferential or zero-tariff treatment under certain conditions, highlighting the garment sector's importance in bilateral trade (Timsina, 2026). The agreement goes beyond tariff adjustments, covering labor standards, environmental protection, intellectual property rights, digital trade, and regulatory transparency. Bangladesh will strengthen labor protections, enforce recognized labor rights, enhance collective bargaining, and prohibit forced labor (USTR, 2026). The agreement commits to strong environmental protection and improved enforcement, highlighting the growing role of sustainability in global trade governance (White House, 2026).

The agreement includes provisions to enhance governance and transparency, such as strengthening anti-corruption measures, adopting good regulatory practices, and addressing issues related to state-owned enterprises (USTR, 2026). Bangladesh has agreed to remove non-tariff barriers and align its regulatory standards with those of the U.S. in sectors such as agriculture, pharmaceuticals, and industrial goods. This agreement fits into broader U.S. trade and strategic goals, emphasizing supply chain resilience and export control cooperation. Its provisions on data flows and intellectual property support the U.S. Indo-Pacific strategy, aiming to strengthen economic partnerships and promote rules-based governance in the region. Thus, the trade framework serves not just as a bilateral economic deal but as part of a larger geoeconomic strategy to influence regional trade dynamics.

4.3 Conditionality and Compliance Pressures

A defining feature of the United States' trade engagement with Bangladesh is the incorporation of conditionalities that link market access to regulatory reforms (World Bank, 2023). U.S.-led trade frameworks often require compliance with governance, labor, and environmental standards, reflecting U.S. trade policy norms. A key area of conditionality is labor rights enforcement. The 2026 agreement mandates Bangladesh to strengthen labor laws, ensure freedom of association, and enhance enforcement in export-oriented sectors (USTR, 2026). These requirements build on earlier reforms following international scrutiny of industrial accidents and impose ongoing compliance obligations that may require significant institutional capacity and regulatory adaptation (Shahrukh, 2026).

ESG considerations play a crucial role in conditionality. The agreement's focus on environmental protection and sustainability highlights the integration of ESG criteria into global trade. Adhering to these standards may raise production costs for Bangladeshi firms, especially in labor-intensive sectors such as garments, thereby impacting their price competitiveness in international markets (Rahman, 2026). The agreement also promotes broader regulatory reforms, aligning with U.S. standards in areas like intellectual property and digital trade. Bangladesh's commitment to U.S. certifications in specific sectors highlights how trade agreements can influence domestic regulations and limit policy discretion (USTR, 2026). These provisions can boost trade by reducing barriers and improving compatibility, but they may also threaten regulatory sovereignty and independent policy goals (Shahrukh, 2026).

Table 2. Core Tension: Divergent Engagement Models

U.S. Engagement	Dimension	China Engagement
Trade (Exports)	Primary Mode of Engagement	Infrastructure & Investment
High (Labor, ESG, Governance)	Conditionality Level	Low (Limited Explicit Conditions)
Required	Regulatory Alignment	Minimal

Market-based (private sector driven)	Financing Model	State-led (government backed)
Supply Chain Alignment	Strategic Intent	Connectivity & Development
Sovereignty Erosion, Compliance Burden	Risk Type	Dependency Accumulation

Source: Composed by the author based on Rodrik (2018); Farrell & Newman (2019)

The dynamics highlight a key contrast in Bangladesh's external economic relations: engagement with China focuses on infrastructure financing with flexible conditions. In contrast, U.S. trade engagement emphasizes market access linked to regulatory reforms and compliance (Rahman, 2026). This model provides key benefits for export opportunities and high-value market integration, but it may also limit policy autonomy and heighten vulnerability to external pressures. In the context of growing global geoeconomic competition, these conditions have broader strategic implications (Shahrukh, 2026). By incorporating regulatory alignment and economic security into trade agreements, the United States extends its influence into the domestic policies of partner countries (Rahman, 2026). For Bangladesh, navigating these pressures while maintaining diversified economic partnerships represents a central challenge in its evolving trade strategy.

5. Core Tension: Conditional vs Non-Conditional Trade Regimes

Bangladesh's trade strategy is shaped by a tension between two models: conditional, rules-based trade regimes and flexible, state-led partnerships with limited conditionality. This reflects wider changes in the global political economy, where trade agreements serve as tools for regulatory influence and geopolitical alignment. The contrast between Bangladesh's engagement with the US and China highlights how different trade governance models create varying opportunities and constraints for developing economies. The divergence outlined in Table 2 constitutes the structural basis of Bangladesh's strategic dilemma. The divergence between U.S. and Chinese engagement models, summarized in Table 2, constitutes the structural basis of Bangladesh's strategic dilemma.

Table 3. Comparative Features of U.S. vs China Economic Engagement

Dimension	U.S. Engagement	China Engagement
Primary Mode	Trade (exports)	Infrastructure & investment
Conditionality	High (labor, ESG, governance)	Low (limited explicit conditions)
Regulatory Alignment	Required	Minimal
Financing Model	Market-based	State-led
Strategic Intent	Supply chain alignment	Connectivity & development
Risk Type	Sovereignty erosion	Dependency accumulation

Source: Composed by the author based on Rodrik (2018); Farrell & Newman (2019)

5.1. "No Strings Attached" vs. "Rules-Based Engagement."

A key distinction among Bangladesh's major economic partners lies in their engagement strategies. Chinese cooperation is pragmatic and non-intrusive, focusing on infrastructure and industrial investment without strict governance conditions. This allows Bangladesh to prioritize projects in energy, transportation, and industrial growth. In contrast, U.S.-led trade engagement operates under a rules-based framework, linking market access to compliance with regulatory standards. The 2026 United States–Bangladesh Agreement on Reciprocal Trade illustrates this, requiring Bangladesh to uphold labor rights, strengthen environmental protections, enhance regulatory transparency, and align its intellectual property regime (USTR, 2026). These provisions illustrate how trade agreements are increasingly used to diffuse regulatory norms and shape domestic governance structures.

The agreement includes commitments on digital trade, export controls, and supply chain cooperation, aligning with U.S. geoeconomic goals. These provisions show that modern trade deals go beyond economics to address strategic alignment and security. One analysis highlights that the agreement "reaches into Bangladesh's regulatory discretion… and future strategic flexibility," underscoring its governance implications (Ali, 2026).

This contrast can therefore be understood as a divergence between:

- China's pragmatic, development-oriented engagement, emphasizing infrastructure and financing
- U.S. rules-based engagement, emphasizing regulatory alignment and compliance

While both models offer economic benefits, they impose fundamentally different constraints on policy autonomy and development strategy.

5.2 Policy Sovereignty vs. Market Access

The trade-off for Bangladesh involves balancing policy sovereignty with market access, particularly in the garment sector. Engaging with the U.S. opens high-value export markets, but requires compliance with regulatory commitments that limit domestic policy flexibility. The 2026 trade agreement highlights: Bangladesh must accept U.S. standards on food safety and industrial goods, strengthen labor laws, adopt environmental and anti-corruption frameworks, and align with intellectual property and digital governance rules (USTR, 2026) These provisions improve market access and trade integration while limiting independent policymaking, especially in industrial policy, digital regulation, and trade governance. Analysts indicate that such agreements may necessitate extensive reforms across various sectors (MUNA, 2026).

Economic engagement with China offers flexible policy design since financing and investment are not tied to governance reforms. However, this flexibility creates a structural dependence on Chinese capital, technology, and supply chains.

Thus, Bangladesh faces a dual constraint:

- With the U.S., access to markets is contingent on compliance with external standards
- With China, development flexibility is accompanied by increasing economic dependence

This duality underscores the complexity of Bangladesh's position as a balancing economy within an increasingly polarized global trade system.

5.3 Sectoral Impacts

The core tension's implications are evident sectorally, where varying forms of engagement lead to different outcomes. The garment sector highlights the pros and cons of U.S.-led trade engagement. As Bangladesh's main export industry, the RMG sector is set to benefit from improved U.S. market access under the 2026 trade agreement, thereby enhancing manufacturers' export competitiveness and stability within global supply chains (Khan, 2026).

The gains come with rising compliance costs due to labor rights, supply chain transparency, and environmental standards, requiring investments in regulatory capacity and monitoring systems. For firms with thin margins, these costs may reduce price competitiveness, especially against countries with fewer regulations. Additionally, U.S.-origin input requirements could change supply chain dynamics, potentially impacting Bangladesh's production networks (Oritain, 2026). This introduces new complexities for firms seeking to balance cost efficiency with compliance. Bangladesh's infrastructure and industrial development are heavily tied to Chinese investment, particularly in energy, transportation, and industrial zones, which are vital for economic growth. The lack of strict conditionality in Chinese partnerships allows for greater flexibility in development but also increases dependence on China for financing and technology. Meanwhile, growing U.S. trade engagement may exert pressure on Bangladesh's ties with China, potentially shifting it towards U.S.-aligned economic frameworks (USTR, 2026). This creates the possibility of strategic friction, in which Bangladesh's commitments under one partnership may constrain its flexibility to engage with another.

Bangladesh's trade policy faces a central tension between two competing economic models: the U.S. offers access to high-value markets with strict regulatory requirements, while China provides flexible development financing and infrastructure support, risking long-term dependency. This dynamic is not just economic but also geopolitical, as trade agreements grow more strategic. Bangladesh must navigate these competing pressures to balance economic growth with policy autonomy.

6. Challenges Arising from the New U.S. Trade Deal

The 2026 trade agreement between Bangladesh and the United States marks a new phase of economic engagement with deeper regulatory integration and conditional market access. While it promises benefits like enhanced export stability and reduced tariffs, it also presents challenges that could limit Bangladesh's economic flexibility and strategic autonomy. This section highlights four main concerns: regulatory and institutional strain, cost-competitiveness risks, strategic vulnerability, and domestic political-economy constraints.

6.1 Regulatory and Institutional Strain

The agreement poses immediate challenges for Bangladesh's regulatory capacity, demanding comprehensive reforms in labor governance, environmental compliance, digital regulation, and intellectual property enforcement. Although these reforms align with international standards, their implementation requires administrative capacity that varies significantly across the country. As shown in Figure 5, the agreement imposes cross-sectoral regulatory obligations that extend beyond traditional trade domains.

Figure 4. Regulatory and Institutional Impact of the U.S. Trade Agreement on Bangladesh

Source: Based on USTR (2026) Fact Sheet; Supplementary Material (2026)

In labor governance, the agreement calls for stronger enforcement of labor rights and collective bargaining protections, along with stricter penalties for violations. This integration of labor regulations into a trade enforcement framework makes them compliance-oriented and subject to external monitoring, with non-compliance potentially leading to the re-imposition of tariffs (Mohsin, 2026, Appendix A). This creates pressure on domestic institutions to expand enforcement capacity without sufficient strengthening. Additionally, aligning with higher environmental standards in export-oriented sectors introduces regulatory burdens that require investments in monitoring, regulatory agencies, and compliance infrastructure. For a developing economy with limited resources, this can lead to implementation gaps and uneven enforcement outcomes (Rodrik, 2018).

The agreement introduces regulatory displacement, where external standards shape domestic policies. Requirements for accepting foreign regulatory approvals, like sanitary measures or product certifications, shift regulatory authority beyond national institutions (Mohsin, 2026, Appendix A). This not only strains administrative capacity but also raises concerns about the long-term erosion of domestic regulatory autonomy.

6.2 Cost Competitiveness Risks

A key challenge for Bangladesh is the potential erosion of cost competitiveness, particularly in the ready-made garment sector, which has thrived due to low labor costs and a flexible regulatory environment. Stricter compliance requirements for labor, environmental, and governance standards could significantly raise production costs. Meeting labor standards demands investments in safety, wage adjustments, and monitoring, while environmental regulations require upgrades in processes and waste management. Additionally, supply chain transparency and certification add administrative burdens. The agreement also accelerates intellectual property harmonization and regulatory alignment, which may further increase input costs for domestic industries (Mohsin, 2026, Appendix A). For example, stronger intellectual property protections may raise the cost of technology transfer and limit access to affordable inputs, particularly in sectors such as pharmaceuticals and agriculture.

In addition, the agreement includes elements of managed trade, such as commitments to purchase U.S. goods including energy and agricultural products, which may further strain Bangladesh's cost structure and foreign exchange reserves (Mohsin, 2026, Appendix A). These obligations introduce rigidities into trade flows, potentially crowding out more cost-effective sourcing options. Cumulative compliance costs may increase production costs by 10–20%, eroding Bangladesh's comparative advantage.

Table 4. Estimated Compliance Costs under U.S. Trade Agreement

Compliance Area	Required Reform	Estimated Cost Impact
Labor Standards	Wage increases, inspections	+5–10% production cost
Environmental	Waste management, emissions	+3–7%
ESG Reporting	Certification, audits	+2–5%
Supply Chain Transparency	Traceability systems	+1–3%
Compliance Area	Required Reform	Estimated Cost Impact
Labor Standards	Wage increases, inspections	+5–10% production cost

Source. (World Bank, 2023; Mohsin, 2026)

These factors raise concerns about the sustainability of Bangladesh's competitive advantage in global markets. As production costs rise, the country may face increasing competition from other low-cost producers that are not subject to similar regulatory constraints, thereby undermining its position in global value chains.

6.3 Strategic Vulnerability

In addition to addressing economic concerns, the pact creates strategic risks by tying trade to security and regulatory convergence. In order to effectively incorporate aspects of U.S. foreign policy into its domestic legislation, Bangladesh must embrace U.S. export controls and sanctions (Mohsin, 2026, Appendix A). This results in a type of extraterritorial regulatory influence where Bangladesh's economic activities are subject to the strategic priorities of a foreign power.

Additionally, the agreement contains clauses that can limit Bangladesh's capacity to interact with other partners. For example, Bangladesh's ability to diversify its economic ties is limited by termination clauses in agreements with "non-market countries" (Mohsin, 2026, Appendix A). In the case of Bangladesh's relationship with China, these clauses are especially important since they can restrict future participation in sectors including technology collaboration, infrastructure funding, and digital trade.

The agreement also incorporates elements of strategic alignment in areas such as defense cooperation, data governance, and supply chain security. These provisions collectively position Bangladesh within a U.S.-centric economic and security architecture, potentially reducing its flexibility to pursue an independent foreign policy. As the supplementary analysis notes, the agreement "narrows Bangladesh's long-standing multi-vector engagement strategy" by embedding strategic commitments within economic arrangements. (Mohsin, 2026) This dynamic poses a risk of over-alignment, in which Bangladesh's economic and regulatory systems become increasingly oriented toward a single geopolitical partner, thereby increasing exposure to external shocks and geopolitical shifts.

6.4 Domestic Political Economy Constraints

There will probably be substantial internal political economy obstacles to the agreement's implementation. Stakeholders who incur transition costs may oppose trade reforms, particularly those pertaining to regulatory alignment. Reforms that increase production costs or impose harsher rules may be opposed by industrial lobbies in labour-intensive industries like apparel, especially by businesses with small profit margins that are worried about compliance costs.

Additionally, bureaucratic inertia could impede complex regulatory changes. The extensive reforms required encompassing labor law, environmental regulation, digital governance, and intellectual property demand coordination among various government agencies, each with differing capacities. Such coordination challenges can delay or weaken reform initiatives (World Bank, 2023). The supplementary analysis further suggests that embedding domestic reforms within a trade compliance framework may alter their political dynamics. When reforms are perceived as externally imposed, rather than domestically driven, they may face greater resistance from both policymakers and the public (Mohsin, 2026, Appendix A). This can complicate the reform process and reduce the effectiveness of policy implementation.

Bangladesh's deepening trade ties with the United States present both opportunities and significant challenges. While the agreement could enhance market access, it also imposes constraints related to institutional capacity, cost competitiveness, and political feasibility. This highlights the paper's central argument: Bangladesh's role as a strategic swing economy is constrained by structural asymmetries in trade agreements. Navigating these challenges will be crucial for sustaining growth while maintaining policy autonomy in a polarized global economy.

7. Implications for Bangladesh–China Relations

The deepening trade engagement between Bangladesh and the United States carries significant implications for Bangladesh's long-standing economic relationship with China. As trade agreements increasingly function as instruments of geoeconomic alignment, Bangladesh's participation in a U.S.-led trade framework introduces new dynamics that may reshape its interactions with China across trade, investment, and strategic domains. This section examines four interrelated implications: trade diversion and strategic signaling; risks to Chinese investment flows; the emerging dual structure of infrastructure versus trade alignment; and the broader risks associated with geopolitical balancing.

7.1 Trade Diversion and Strategic Signaling

The 2026 trade agreement has significant implications for Bangladesh's geopolitical stance, signaling its alignment with a U.S.-centric economic model. This shift is more than symbolic; it has tangible effects on trade patterns and diplomatic relations. The agreement's provisions on supply chain security, digital governance, and economic alignment reflect a broader geoeconomic strategy beyond traditional economic cooperation (Farrell & Newman, 2019).

The supplementary analysis reinforces this interpretation, noting that the agreement "anchors Bangladesh more firmly within a U.S.-aligned regulatory and strategic framework," thereby narrowing its room for maneuver in engaging with alternative partners (Mohsin, 2026, Appendix A). From China's perspective, these developments may signal a shift in Bangladesh's economic alignment, despite its official policy of diversification. This could lead to trade diversion dynamics, where changes in regulations and supply chain integration affect sourcing and market orientation. For example, incentives to use U.S. inputs or standards might reduce Bangladesh's reliance on Chinese goods, thereby altering existing trade flows.

7.2 Risks to Chinese Investment Flows

The deepening U.S.-Bangladesh trade ties may affect Chinese investment in Bangladesh, a key partner in China's infrastructure development under the Belt and Road Initiative. The agreement includes provisions that could limit Bangladesh's interactions with "non-market economies" and allow for the termination or renegotiation of certain agreements (Mohsin, 2026, Appendix A). While such provisions may not immediately disrupt existing Chinese projects, they create strategic uncertainty that could affect future investments. China might adopt a more cautious approach to economic engagement with Bangladesh, leading to slower approvals of new projects, a greater focus on those with clear returns, and increased scrutiny of Bangladesh's regulatory environment. Analyses of geoeconomic competition indicate that major powers often adjust their investment strategies in response to shifts in partner alignment and broader strategic considerations (Drezner et al., 2021). Bangladesh's deepening engagement with the US may prompt China to reassess the scale and scope of its involvement.

7.3 Infrastructure vs. Trade Realignment

Bangladesh's external economic relations are evolving into a dual alignment structure, relying on China for infrastructure development while increasingly integrating with the United States in trade. Bangladesh depends on Chinese financing and expertise for critical infrastructure projects in sectors like energy and transportation, making it hard to replace in the short- to medium-term. Conversely, trade is shifting toward the U.S., notably in the ready-made garments sector, supported by a 2026 trade agreement that enhances market access and aligns regulatory frameworks. However, this dual approach creates tension, as data governance and export control regulations may hinder Bangladesh's integration of Chinese technologies into its economy (Mohsin, 2026, Appendix A). Bangladesh's development strategy depends on Chinese infrastructure and investment, while its trade strategy aligns more with U.S. regulations. This creates a conflict, as managing this dual dependence poses a policy challenge where actions in one area may limit options in another.

7.4 Geopolitical Balancing Risks

The key implication of these dynamics is the increasing challenge of maintaining a balanced foreign economic policy. As global trade becomes more fragmented and geopolitically influenced, the room for neutral strategies is diminishing. Countries engaging with multiple major powers may feel pressure to align with one side.

The Bangladesh–U.S. trade agreement illustrates this trend by incorporating strategic alignment into economic terms. Provisions on export controls and economic security link trade policy to geopolitical factors, potentially restricting Bangladesh's ability to pursue independent economic relationships. (Mohsin, 2026, Appendix A).

Bangladesh faces the risk of forced alignment due to its relationships with competing partners, particularly China and the U.S. This pressure may lead to expectations such as limiting engagement with Chinese firms in sensitive sectors and increased scrutiny of cooperation with non-U.S. partners. Balancing these relationships could generate tensions, as China may view Bangladesh's alignment with the U.S. as a shift away from their partnership, while the U.S. may expect deeper compliance over time.

A trade pact between the United States and Bangladesh would have complicated ramifications. Although it provides better access to American markets, it might also impose restrictions that change Bangladesh's relationship with China, potentially resulting in changes in investment flows and heightened geopolitical pressures. Bangladesh wants to use its connections with major countries to further its development as a strategic swing economy, but growing geoeconomic rivalry may make this strategy less viable. Navigating these conflicting demands to preserve both strategic autonomy and economic prosperity is the difficult part.

8. Bangladesh as a Strategic Swing Economy

The preceding analysis demonstrates that Bangladesh cannot be understood as a passive actor within the contemporary global trade system. Rather, it is actively engaged in strategic hedging, seeking to leverage its economic relationships with major competitors, particularly the United States and China to maximize developmental gains while preserving policy autonomy. This behavior aligns with broader patterns observed among mid-sized developing economies navigating an increasingly fragmented and competitive geoeconomic environment (Farrell & Newman, 2019; Drezner et al., 2021).

However, while Bangladesh exhibits agency in its external economic strategy, its capacity to function as a fully autonomous "strategic swing economy" is constrained by deep structural asymmetries embedded within its trade and development model. These asymmetries limit the feasibility of sustained neutrality and complicate efforts to balance competing economic partnerships. Drawing on both the empirical analysis presented in this paper and the supplementary assessment of the 2026 trade agreement, three interrelated constraints emerge as particularly significant: dependence on the United States for exports, dependence on China for infrastructure, and limitations in institutional capacity.

Table 5. Sectoral Dependence Structure

Sector	Primary External Partner	Nature of Dependence
RMG Exports	U.S.	Market access
Industrial Inputs	China	Supply chain
Infrastructure	China	Financing & construction
Technology/Standards	U.S.	Regulatory alignment
Sector	Primary External Partner	Nature of Dependence
RMG Exports	U.S.	Market access

Note: Bangladesh's economy is structurally bifurcated across geopolitical axes.

8.1 Active Hedging and the Limits of Neutrality

Bangladesh's trade and development strategy reflects a deliberate effort to diversify economic partnerships and avoid overreliance on any single external actor. This multi-vector approach is evident in the coexistence of strong export ties with the United States and deep infrastructure and investment linkages with China. By engaging simultaneously with both powers, Bangladesh seeks to extract economic benefits from each while mitigating risks associated with exclusive alignment.

This strategy is consistent with the concept of hedging in international political economy, where states pursue overlapping and sometimes contradictory relationships to manage uncertainty and maximize flexibility. In practice, Bangladesh has sought to maintain this balance by:

Leveraging U.S. market access to sustain export growth

Utilizing Chinese financing and investment to address infrastructure deficits

Avoiding explicit alignment with any single geopolitical bloc

However, the evolving character of global trade governance poses a growing threat to this strategy's viability. Economic ties are increasingly linked to geopolitical factors as trade agreements include components of supply chain integration, regulatory alignment, and strategic cooperation. This change is highlighted by the supplemental study, which points out that the 2026 trade deal "narrows the space for multi-vector engagement" by integrating Bangladesh into a strategic and regulatory framework that is aligned with the United States. Mohsin (2026). Bangladesh's hedging approach is therefore getting harder to maintain. The nation is under increasing pressure to match its laws, policies, and economic ties with conflicting external frameworks rather than functioning as a neutral middleman. The conflict between agency and constraint that characterises Bangladesh's status as a strategic swing economy is highlighted by this dynamic.

8.2 Constraint 1: Export Dependence on the United States

The first major constraint arises from Bangladesh's heavy dependence on the United States as an export market. The ready-made garment sector, which dominates Bangladesh's export economy, is deeply integrated into U.S.-led global value chains. This dependence creates a structural asymmetry in which Bangladesh's economic stability is closely tied to continued access to the U.S. market.

The 2026 trade agreement reinforces this dependence by institutionalizing market access within a regulatory compliance framework. While the agreement provides opportunities for export growth and tariff stability, it also binds Bangladesh to obligations related to labor standards, environmental governance, and regulatory alignment (USTR, 2026). As noted in the supplementary material, these commitments are enforceable through trade mechanisms, effectively linking export access to ongoing compliance (Mohsin, 2026, Appendix A).

This dynamic limits Bangladesh's policy autonomy in several ways. First, it constrains the scope for independent regulatory decision-making, as deviations from agreed standards may carry economic consequences. Second, it increases vulnerability to external policy shifts, including changes in U.S. trade policy or geopolitical priorities. Third, it creates a path dependency in which Bangladesh's export strategy becomes increasingly aligned with U.S. regulatory frameworks. In this context, export dependence functions not merely as an economic relationship but as a structural constraint that shapes Bangladesh's broader strategic orientation.

8.3 Constraint 2: Infrastructure Dependence on China

Bangladesh's dependence on China for industrial investment and infrastructure development is a second significant obstacle. Bangladesh's infrastructure deficiencies have been largely addressed by Chinese funding, technology, and project execution, especially in areas like energy, transportation, and industrial zones. These expenditures are essential for maintaining economic growth and promoting industrial development. But a kind of structural dependence is also brought about by this reliance. Bangladesh's capacity to diversify its economic partnerships may be limited as supply chains, infrastructure systems, and industrial capacities become more intertwined with Chinese networks. The size and financing structure of Chinese projects, which frequently entail long-term commitments and few other funding sources, further strengthen this reliance.

Further complexity is introduced by the interplay between this reliance and Bangladesh's interactions with the US. According to the supplemental analysis, Bangladesh's ability to interact with Chinese partners may be indirectly hampered by clauses in the U.S. trade deal, especially those pertaining to export controls, data governance, and economic security (Mohsin, 2026, Appendix A). For instance, compliance with U.S. regulatory regimes may prohibit participation in some Chinese-led efforts or limit the adoption of Chinese technologies. This leads to a structural paradox: Bangladesh's commercial and regulatory direction is increasingly influenced by its relationship with the United States, even as it depends on China for funding infrastructure and development. One of the main obstacles to Bangladesh's economic plan is managing this dual dependence.

8.4 Constraint 3: Institutional Capacity Limitations

The third constraint concerns Bangladesh's institutional capacity to manage complex, overlapping economic relationships. The implementation of the 2026 trade agreement requires extensive reforms across multiple domains, including labor governance, environmental regulation, digital trade, and intellectual property. These reforms demand significant administrative capacity, coordination, and technical expertise. However, as noted in the literature, developing economies often face challenges in implementing comprehensive regulatory reforms due to limited institutional resources and coordination mechanisms (Rodrik, 2018; World Bank, 2023). The supplementary analysis further emphasizes that the agreement introduces a compliance-driven framework in which domestic reforms are subject to external monitoring and enforcement (Mohsin, 2026, Appendix A). This increases the administrative burden on domestic institutions and raises the risk of uneven or incomplete implementation.

Institutional limitations also affect Bangladesh's ability to negotiate and manage its external economic relationships. Effective balancing between major powers requires not only strategic intent but also the capacity to design, implement, and enforce complex policy frameworks. Without such capacity, Bangladesh may find itself reacting to external pressures rather than proactively shaping its economic strategy.

These constraints highlight the limits of Bangladesh's position as a strategic swing economy. While the country has demonstrated agency in pursuing a diversified and flexible economic strategy, its ability to sustain this approach is constrained by structural dependencies and institutional limitations. Export dependence on the United States ties Bangladesh's economic stability to compliance with external regulatory frameworks, while infrastructure dependence on China creates long-term commitments that limit diversification. At the same time, institutional capacity constraints reduce Bangladesh's ability to manage these competing pressures effectively. These findings reinforce the central argument of this paper: that Bangladesh's role as a strategic swing economy is both enabled and constrained by its position within the global political economy. As geoeconomic competition intensifies and trade agreements become more deeply embedded in strategic considerations, the space for neutral or balanced engagement is likely to narrow further. The challenge for Bangladesh, therefore, lies not only in navigating these constraints but in developing the institutional and strategic capacity to manage them effectively.

9. Policy Recommendations

This section advances four interrelated policy recommendations. Collectively, these recommendations emphasize the need for Bangladesh to rebalance its external economic relationships, reduce overdependence on conditional trade regimes, and preserve strategic autonomy in an increasingly polarized global economy.

9.1 Strategic Hedging Framework

In order to prevent becoming overly dependent on any one economic partner, Bangladesh needs to establish and implement a strategic hedging strategy. Although the nation has traditionally used a de facto multi-vector strategy, the escalation of geoeconomic competition calls for a more planned and formalised approach. Bangladesh may be forced into a path-dependent alignment with U.S.-centric regulatory and economic institutions as a result of the 2026 trade agreement. The agreement contains elements of strategic alignment, as the supplementary analysis shows, especially in areas like supply chain security, digital governance, and export controls that may limit Bangladesh's capacity to maintain a diverse range of partnerships (Mohsin, 2026, Appendix A). In this situation, hedging cannot be merely verbal; in order to maintain flexibility, it must involve specific policy measures.

This includes:

- Actively resisting exclusivity clauses or provisions that restrict engagement with other partners
- Maintaining parallel economic engagements with China and other emerging economies
- Avoiding regulatory commitments that create irreversible alignment with a single bloc

From a strategic standpoint, Bangladesh should treat the U.S. agreement as one instrument among many, rather than as the central pillar of its trade policy failure to do so risks transforming a hedging strategy into de facto alignment.

9.2 Selective Compliance Strategy

Rather than fully internalizing the regulatory framework embedded in the U.S. trade agreement, Bangladesh should adopt a selective compliance strategy that limits the scope of alignment to sectors where it yields clear economic benefits—primarily export-oriented industries such as ready-made garments.

The agreement's broad regulatory requirements—including labor, environmental, intellectual property, and digital governance provisions—extend far beyond what is necessary for market access. As noted in the supplementary material, these provisions "expand into domestic regulatory domains… affecting long-term policy autonomy" (Mohsin, 2026, Appendix A). Full compliance across all sectors would therefore impose unnecessary costs and constraints on the broader economy.

A more strategic approach would involve:

- Applying U.S.-aligned standards strictly within export sectors targeting the U.S. market
- Maintaining flexible or alternative regulatory frameworks in non-export sectors
- Avoiding cross-sectoral regulatory harmonization that exceeds trade requirements

This dual-track regulatory model allows Bangladesh to capture the benefits of market access while minimizing sovereignty costs. It also preserves the flexibility to engage with alternative partners, including China, whose economic cooperation does not require comparable regulatory alignment.

9.3 Diversification Strategy

The most critical long-term priority for Bangladesh is diversifying its trade and investment relationships. Overdependence on a single export market, particularly one that imposes extensive conditionalities creates structural vulnerabilities that undermine economic resilience.

Bangladesh must therefore accelerate efforts to expand trade with alternative partners, including:

- The European Union, which remains a major export destination and offers preferential access frameworks
- Association of Southeast Asian Nations economies, which are increasingly integrated into regional supply chains
- The Middle East, particularly for energy trade, labor markets, and emerging investment opportunities

At the same time, Bangladesh should deepen its economic engagement with China, particularly in areas where Chinese cooperation offers clear developmental advantages. This includes:

- Expanding participation in infrastructure and industrial projects under the Belt and Road Initiative
- Strengthening industrial supply chains linked to Chinese manufacturing networks
- Leveraging Chinese financing and technology for industrial upgrading

From a strategic perspective, diversification is not merely an economic objective but a geopolitical necessity. By broadening its network of economic partnerships, Bangladesh can reduce exposure to external shocks, enhance bargaining power, and preserve greater policy autonomy.

9.4 Institutional Strengthening

Finally, Bangladesh must invest in institutional strengthening to enhance its capacity to manage complex trade relationships and navigate competing regulatory frameworks. Without adequate institutional capacity, even the most well-designed strategies will be difficult to implement effectively.

Key priorities include:

- Strengthening regulatory agencies responsible for labor, environmental, and trade governance
- Enhancing coordination across ministries to manage overlapping trade commitments
- Developing specialized expertise in trade negotiation and dispute resolution

The supplementary analysis highlights that the current agreement imposes significant administrative burdens, with compliance mechanisms that require sustained monitoring and enforcement (Mohsin, 2026, Appendix A). Addressing these challenges requires not only technical capacity but also strategic coherence in policymaking. At the same time, institutional strengthening should not be oriented solely toward compliance with external standards. Rather, it should aim to enhance Bangladesh's ability to negotiate from a position of strength, shape trade agreements in line with national interests, and resist provisions that undermine long-term autonomy. These recommendations underscore the need for a recalibrated trade strategy that prioritizes sovereignty, flexibility, and long-term development over short-term market access gains. While engagement with the United States remains important, it should not come at the cost of strategic autonomy or the erosion of diversified economic partnerships.

In practical terms, this requires Bangladesh to:

- Treat the U.S. trade agreement as a limited and conditional instrument
- Avoid deep structural alignment that constrains future policy choices
- Reinforce and expand its economic engagement with China and other partners
- Build the institutional capacity necessary to manage a complex and contested global trade environment

Ultimately, the challenge is not whether Bangladesh should engage with the United States or China, but how it can do so on terms that preserve its autonomy and maximize its developmental trajectory.

10. Conclusion

This paper has examined Bangladesh's evolving trade strategy within an increasingly fragmented and geopolitically charged global economic system. By analyzing its deepening engagement with the United States alongside its entrenched economic relationship with China, the study has demonstrated that Bangladesh's position is best understood through the lens of a strategic swing economy. Rather than passively navigating external pressures, Bangladesh has actively pursued a hedging strategy designed to extract economic benefits from competing major powers while preserving policy flexibility.

However, the findings of this paper underscore a central and increasingly unavoidable reality: Bangladesh's balancing act is becoming progressively fragile. The 2026 trade agreement with the United States, while offering short-term gains in market access and export stability, embeds a framework of regulatory alignment, compliance obligations, and strategic commitments that constrain Bangladesh's policy autonomy. At the same time, Bangladesh's continued reliance on China for infrastructure development, industrial inputs, and financing reinforces structural dependencies that are difficult to unwind in the short to medium term. These dual dynamics create a condition of asymmetric interdependence, in which Bangladesh is simultaneously tied to competing economic systems in ways that limit its strategic maneuverability.

The analysis further demonstrates that these constraints are not merely economic but deeply institutional and geopolitical. The expansion of conditional trade regimes, the politicization of supply chains, and the integration of economic agreements into broader strategic frameworks have fundamentally altered the landscape in which Bangladesh operates. As highlighted in the supplementary analysis, the U.S. trade agreement extends beyond traditional trade provisions to shape domestic regulatory systems, align economic governance with external standards, and embed elements of strategic cooperation. In parallel, China's role in infrastructure and development financing continues to anchor Bangladesh within a network of long-term economic commitments that are not easily substitutable.

Without careful and deliberate strategic calibration, Bangladesh therefore risks entering a dual dependency trap. On one side, overreliance on U.S. markets combined with extensive regulatory conditionality may erode policy sovereignty and expose the country to external political and economic pressures. On the other side, sustained dependence on Chinese financing and infrastructure may limit diversification and create long-term structural vulnerabilities. The coexistence of these dependencies does not necessarily produce balance; rather, it may generate compounding constraints that reduce Bangladesh's ability to act independently in both economic and geopolitical domains.

The findings of this paper demonstrate that Bangladesh occupies an increasingly pivotal yet constrained position within the evolving geoeconomic landscape shaped by the United States and China. While Bangladesh has actively pursued a balancing strategy, leveraging export integration with the United States and infrastructure partnerships under the Belt and Road Initiative, this dual engagement has produced a structurally asymmetric outcome. The study finds that U.S.-led trade frameworks impose regulatory and governance conditionalities that reshape domestic institutions. In contrast, Chinese engagement facilitates rapid infrastructure development with fewer explicit constraints but deeper long-term dependencies. This interplay highlights a central tension in Belt and Road Studies: connectivity-driven development can enhance economic capacity, yet when combined with competing regulatory regimes, it may also narrow strategic autonomy rather than expand it.

These findings carry broader implications for regional connectivity, economic development, governance, and international cooperation. For regional connectivity, Bangladesh's experience illustrates how infrastructure integration under the Belt and Road Initiative can coexist often uneasily with parallel trade alignment toward Western markets, creating fragmented rather than fully integrated economic systems. In terms of governance, the diffusion of external regulatory standards through trade agreements underscores how global economic integration increasingly shapes domestic policy space. Geopolitically, the case reveals the risks faced by mid-sized developing economies operating within rival geoeconomic blocs, where efforts at balancing may evolve into dual dependency. More broadly, the paper suggests that sustainable international cooperation in such contexts requires frameworks that reconcile development financing with policy autonomy, enabling countries like Bangladesh to transition from passive rule-takers into more active participants in shaping the norms of global economic governance.

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