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IPEF SUPPLY CHAIN AGREEMENT: PROSPECTS AND CHALLENGES FOR BANGLADESH

Abstract

This paper provides a detailed analytical discussion of the Indo-Pacific Economic Framework of Prosperity (IPEF) Supply Chain Agreement and its potential impacts on Bangladesh. Drawing on the Complex Interdependence Theory and Structural Realism, it speculates on the opportunities, issues, and strategic ambiguities that Bangladesh must encounter in the dilemma on whether to join this US-led economic initiative. It can be seen that as much as IPEF has higher potential to diversify the supply chain and provide capacity building for Bangladesh, it also entails challenges in the form of institutional capacity, compliance costs and geopolitical risks specifically with regard to Bangladesh and its important economic relationship with China. The paper argues that the risks of non-engagement, including structural alienation from the evolving regional economic architecture, outweigh the risks of participation. The paper proposes a policy of selective engagement that can enable Bangladesh to enjoy the benefits of IPEF while maintaining strategic autonomy and relations with the United States as well as China.

Keywords: IPEF, Supply Chain Resilience, Bangladesh, Indo-Pacific, China, Complex Interdependence, Structural Realism, LDC Graduation.

1. Introduction

The global supply chains of intricate networks of production and distribution have assumed foundation of international trade and economic growth in the contemporary epoch of globalization. In the case of emerging economies e.g., Bangladesh that have built their national prosperity on export-oriented production, resilience of supply chains is not merely a matter of economic efficiency, but of existential criticality. The COVID-19 crisis succeeded by a cascade of geopolitical shocks, Russia-Ukraine war and the recent Israel-Iran war have demonstrated fundamental vulnerability inherent in a system that is built to be cost-efficient but not resilient. The abrupt cessation of production and supply, especially in China, severely impacted all parts of the world. With over 50 per cent of its garment raw materials and more than 40 per cent of its industrial machinery sourced from China, the Bangladeshi economy found itself perilously exposed.[1] A staggering 93 per cent

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[1] Erin Leitheiser et al., "Early Impacts of Coronavirus on Bangladesh Apparel Supply Chains," The Regulation of International Supply Chains (RISC) Briefing, accessed January 18, 2026, https://research.cbs.dk/en/

of its suppliers indicated that they experienced significant setbacks in the delivery of raw materials during the pandemic was a vivid example of what over-concentration can do during a critical supply nodes.[2]

The Indo-Pacific Economic Framework for Prosperity (IPEF) was presented by the US in May 2022 in the context of this systemic weakness.[3] IPEF, with its four main pillars: Trade, Supply Chains, Clean Economy and Fair Economy- represents an approach to regional engagement, something that eschews the conventional market-access-in-exchange-of-tariff-reduction bargain of Free Trade Agreements (FTA). Rather, it aims at creating a collaborative system towards increasing regulatory coherence, promoting high standards, and enhancing resilience among the member countries. The second pillar, Supply Chain Agreement, is especially relevant as it directly addresses the weaknesses exposed by the contemporary global crises. It intends to build a more robust, open and sustainable supply chain mechanism using information sharing, supply chain diversification and coordinated response to crisis.[4] In the case of Bangladesh, which is grappling with dual challenges of LDC graduation and the need to diversify its economy, the prospect of joining such a framework presents both an opportunity and a strategic dilemma.[5]

This paper addresses how should Bangladesh, being embedded in China-centric supply chains, navigate strategic pressures and economic opportunities presented by IPEF? It evaluates the strategic calculus for Bangladesh. The primary hypothesis is that the IPEF Supply Chain Agreement has the potential to offer Bangladesh a long overdue chance at enhancing its resilience within the supply chain, diversifying its economic relationship and speeding up its presence within the high-end global value chains. However, it may create challenges of undermining its foreign policy of non-alignment as well as crucial economic relationship with China.[6] This paper argues that for Bangladesh, a policy of selective engagement will be prudent instead of a wholesale adoption or a total rejection. This would allow Bangladesh to enjoy actual possibilities of the IPEF institutional framework, namely

publications/early-impacts-of-coronavirus-on-bangladesh-apparel-supply-chains/.

[2] Wimal Perera, "Bangladesh Government Downplays COVID-19 Threat as Job Losses Mount," World Socialist Web Site, last modified March 16, 2020, https://www.wsws.org/en/articles/2020/03/16/bang-m16.html.

[3] White House, "FACT SHEET: In Asia, President Biden and a Dozen Indo-Pacific Partners Launch the Indo-Pacific Economic Framework for Prosperity," May 23, 2022, https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/23/fact-sheet-in-asia-president-biden-and-a-dozen-indo-pacific-partners-launch-the-indo-pacific-economic-framework-for-prosperity/.

[4] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain Resilience," September 2023, https://www.commerce.gov/sites/default/files/2023-09/IPEF-Supply-Chain-Agreement-Pillar-II-Text-for-Public-Release.pdf.

[5] Md Rafid Abrar Miah and Mohammad Jasim Uddin, "Indo-Pacific Economic Framework (IPEF): Prospects and Challenges for Bangladesh," *BIISS Journal* 45, no. 3 (2024): 397–418.

[6] Shadman Sharar, "An Assessment of Bangladesh's Indo-Pacific Outlook," *CPS Policy Brief* 10 (2023): 3–5.

capacity building, technology transfer and standards alignment. It would help offset geopolitical risk generally conceived as a US-led front in diminishing the role of China in the Indo-Pacific.[7] The paper signifies that risks of becoming alienated and disengaged with emerging regional economic order will be greater than that of engagement. It assumes that engagement with a prior framing as an economic choice will reduce the risk of being understood as geopolitically aligned.[8]

The paper is informed with a hybrid theoretical approach that bridges insights of Complex Interdependence Theory (CIT),[9] and cautionary tenets of Structural Realism.[10] Complex Interdependence is an useful lens in understanding how IPEF works. IPEF, with its institutional collaboration, partnerships between government and businesses, and creating mutual norms and standards, is an example of interdependence in action.[11] This paper uses this CIT to frame the analysis of *opportunities* and *potential benefits* of IPEF for Bangladesh. This lens helps to illuminate how the institutional mechanisms of IPEF, such as the Supply Chain Council and the Crisis Response Network, can create positive-sum outcomes and foster cooperation in areas of mutual interest. However, international system is characterized by underlying power relations and that requires adopting Structural Realism theory in this analysis. With its emphasis on the anarchic nature of international system and primacy of state security, Structural Realism provides a necessary lens to the analysis.[12] It helps us to recognize that in the case of emerging economies, strategic rivalry between the United States and China is not an abstract theoretical construct but a structural fact that places practical limits on their foreign policy choices. The key theoretical issue this paper considers is the tension between the cooperative nature of Complex Interdependence and the competitive logic of Structural Realism. This lens is crucial for understanding how the overarching structure of US-China competition constrains Bangladesh's choices and creates security dilemmas, even in the economic realm. These will help draw some policy recommendations how Bangladesh can manoeuvre such complex landscape and pursue a selective engagement strategy which will further its national interest.

[7] Mostakim Bin Motaher and Md. Farhan Intisher Khaled, "Bangladesh vis-à-vis the Indo-Pacific Strategy: Exploring the Country's Priorities and Prospects," *Jahangirnagar University International Journal of Political Science* 13 (2022): 45–62.
[8] "China tells Bangladesh to reject Cold War mentality and bloc politics," *Hindustan Times*, June 02, 2022.
[9] Robert O. Keohane and Joseph S. Nye, *Power and Interdependence: World Politics in Transition* (Boston: Little, Brown, 1977), 23–37.
[10] Kenneth N. Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley Pub. Co., 1979), 88–101
[11] Keohane and Nye, *Power and Interdependence*, 8–11. The authors argue that complex interdependence is characterised by multiple channels connecting societies, an absence of hierarchy among issues, and a minor role for military force.
[12] Waltz, *Theory of International Politics*, 79-101. Waltz argues that the structure of the international system defined by its ordering principle (anarchy), the functional differentiation of units, and the distribution of capabilities shapes state behavior.

2. IPEF Supply Chain Agreement: Institutional Architecture and Objectives

The Economic Framework signifies a major departure from conventional US trade policy[13] that, through the form of FTA, provides preferential market access in exchange for tariff cuts. Rather, IPEF is a flexible system of economic cooperation that gives partner countries the opportunity to decide what pillars they want to implement, unlike the traditional, all-or-nothing trade agreements. The framework is intended to become a negotiating arena and a framework of cooperation with the aim of creating high standard rules and economic integration of the members, which (at present with 14 member countries) represents about 40 per cent of the global GDP in total.[14]

The focus of this paper is the Agreement on Supply Chain (Pillar II). Came into effect in February 2024, this agreement is a response to the vulnerabilities of global supply chains that became so vividly exposed during the COVID-19 pandemic.[15] Primary goal of the agreement is to establish a more resilient, efficient, productive, sustainable, transparent, diversified and secure supply chain ecosystem in the Indo-Pacific region. It does not intend to reach this goal by legally obligating itself and making use of dispute settlement methods, but by a new institution-based approach that focuses on information sharing, concerted action and the forming of cooperative institutions.[16]

The institutional structure of the Supply Chain Agreement revolves around three large bodies. To begin with, The IPEF Supply Chain Council with the representatives of each member state will be endowed with the regulation of the agreement implementation, development of the sectoral action plans and encouraging investment in the critical sectors and the key goods.[17] This council is the most important coordinating body in all the movements of the agreement whereby all the member states seem to be harmonized on the aspect of identifying vulnerabilities and making a move towards some form of coordinated action. Secondly, The IPEF Supply Chain Crisis Response Network is designed in a way that provides guidance

[13] Aidan Arasasingham et al., “Domestic Perspectives on IPEF’s Digital Economy Component,” Center for Strategic and International Studies, January 23, 2023, https://www.csis.org/analysis/domestic-perspectives-ipefs-digital-economy-component.
[14] Matthew P. Goodman and William Alan Reinsch, “Filling In the Indo-Pacific Economic Framework,” Center for Strategic and International Studies, January 26, 2022, https://www.csis.org/analysis/filling-indo-pacific-economic-framework.
[15] Indo-Pacific Economic Framework for Prosperity, “Agreement Relating to Supply Chain Resilience,” September 2023, https://www.commerce.gov/sites/default/files/2023-09/IPEF-Supply-Chain-Agreement-Pillar-II-Text-for-Public-Release.pdf.
[16] Indo-Pacific Economic Framework for Prosperity, “Agreement Relating to Supply Chain,” Article 2.
[17] Indo-Pacific Economic Framework for Prosperity, “Agreement Relating to Supply Chain”.

to quick communication and group response in case of disruption of the supply chain. The network can be activated once a member country observes the potential or actual disruption, therefore, letting the partners share the information and locate other sources of supply and plan the overall response.[18] This is to replace the ad-hoc and sometimes disorganized scramble, which was observed during the initial months of the COVID-19 pandemic. Third, the IPEF supply chains have the responsibility of promoting labor rights by a tripartite IPEF Labor Rights Advisory Board, composed of representatives from government, labor and employer organisations.[19] Such focus on labor standards is one of the key distinctions of IPEF and it reflects the adherence of the worker-focused trade policy.

The Supply Chain Agreement has several provisions to enhance resilience, e.g., commitments to detect and track critical sectors and key goods, develop diversity of supply chains, enhance logistics-centric activity and encourage the engagement of business and workforce.[20] Article 4 is dedicated for identifying critical sectors and key items, where members will initiate a methodology to classify the supply chain vulnerability.[21] Article 6 deals with the diversification of supply chains in which all members are urged to invest in a broader source markets.[22] Thus, the IPEF Supply Chain Agreement eyes to have a new paradigm of the 21st century's economic collaboration, recognising that in an increasingly complex and uncertain world, resiliency is as vital as efficiency.[23]

3. Prospects for Bangladesh

In the case of Bangladesh where economic fortunes are inseparably linked to the ebb and flow of global trade, IPEF Supply Chain Agreement may create an intricate chance to solve some of the vital economic issues including economic diversification, technological modernisation and absorbing LDC graduation induced economic shocks.[24] From a Complex Interdependence Theory perspective, these prospects can be understood as the positive-sum benefits achievable when states create institutionalized frameworks to manage shared vulnerabilities.[25] IPEF, by establishing multiple channels of communication and cooperation (the Council, Crisis Network, and Advisory Board) that involve private sector and labor stakeholders

[18] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain," Article 7.
[19] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain," Article 5.
[20] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain," Article 3.
[21] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain," Article 4.
[22] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain," Article 6.
[23] Cyn-Young Park, "Global Supply Chains Need Fixing: Help Is on The Way," Asian Development Blog, accessed February 06, 2024, https://blogs.adb.org/blog/global-supply-chains-need-fixing-help-way.
[24] Miah and Uddin, "Indo-Pacific Economic Framework (IPEF)".
[25] Keohane and Nye, *Power and Interdependence*, 24–25.

along with governments, desires to have a dense network of relationships. These networks may enable Bangladesh to access resources, information and influence for advancing its development goals. This is consistent with Keohane and Nye's argument that in a world of complex interdependence, the agenda of interstate relationships is not dominated by military security but by a range of economic and social issues where international institutions play a central role. This multifaceted channel of interaction thus will create the opportunities whereby Bangladesh can establish relationships and develop capabilities that would otherwise be difficult to acquire, only through bilateral negotiations.

3.1 *Supply Chain Diversification*

Immediate and most tangible benefit for Bangladesh is the possible expansion of its supplier base. The diversified supply chain offers a way to curb the vulnerability of overreliance on e.g., China, for the source of raw materials and machinery.[26] From a Complex Interdependence perspective, this over-reliance represents a sensitivity interdependence, where disruptions in one country have costly effects on another. The IPEF Supply Chain Agreement, with its explicit emphasis on diversification and the use of multiple suppliers, provides an institutional mechanism for managing this sensitivity.[27] Through better economic relations with the members of IPEF, a group of large economies including Japan, India, South Korea and Australia among others, Bangladesh eyes the chance of accessing other sources of supply.[28] This will not only help to reduce its exposure to the possible upheavals but also increase Bangladesh's bargaining power with it.[29] The IPEF Crisis Response Network's information sharing mechanisms would be particularly valuable in this respect as it would be a source of real-time information on alternative sourcing during crisis.[30]

3.2 *Capacity Building and Technological Upgrading*

Complex Interdependence Theory posits that interactions between states are not limited to security competition but encompass a wide range of welfare issues. IPEF has a strong emphasis on capacity building and technology transfer that can provide an opportunity through which Bangladesh can transform its industrial base.[31] Low labor costs, not the high productivity and high-end products, have been the

[26] Leitheiser et al., "Early Impacts of Coronavirus".
[27] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain Resilience," Article 2, 7; Keohane and Nye, *Power and Interdependence*, 24–25.
[28] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain Resilience," Article 2.
[29] Sharar, "An Assessment of Bangladesh's Indo-Pacific Outlook," 5–7.
[30] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain Resilience," Article 7.
[31] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain Resilience," Article 3.

hallmark of Bangladesh's manufacturing sector, RMG industry to be specific. This sector may be vulnerable soon as both minimum wages of labours and international competition are on the rise. The IPEF framework, with its particular focus on digital infrastructure, technology transfer and automation, can provide the impetus for a long-overdue technological overhauling.[32] Technical assistance provisions of the agreement which obliges the members of the developed countries to assist in the capacity-building of their partners in the developing countries are specially applicable to Bangladesh as it will facilitate the transfer of knowledge in areas like supply chain management software, quality control system and sustainable manufacturing practices.[33]

3.3 *Enhanced Market Access*

Although IPEF does not provide direct tariff cuts, it may provide market access in more subtle but equally important ways. The agreement will be useful to minimise non-tariff trade barriers by encouraging the harmonisation of common standards and regulatory practices.[34] In the case of Bangladesh, whose biggest export market is US, harmonisation of standards with its major trading partners will facilitate export process and lower compliance costs.[35] This is particularly relevant in the context of the increasing demand for sustainable and ethically produced goods. The IPEF's focus on labor rights and environmental standards, while presenting a short-term challenge, can also be an opportunity for Bangladesh to enhance its reputation as a responsible producer and to attract premium buyers.[36] Herein, IPEF will also be important to dampen the LDC graduation shock by assisting Bangladesh to become more competitive, diversify its export markets and align its standards with those of the major economies.[37] The productivity-based competitiveness of IPEF is specially favorable for the post-LDC graduation period of Bangladesh where it will not be able to count on preferential tariffs to compete in international markets. Further, institutional relationships and networks that are developed in the course of IPEF can offer a good platform to negotiate new trade agreements and ensure designs of permanent access to different markets.[38]

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[32] Miah and Uddin, "Indo-Pacific Economic Framework (IPEF)," 405–410.
[33] Miah and Uddin, "Indo-Pacific Economic Framework (IPEF)," 412–415.
[34] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain".
[35] Refayet Ullah Mirdha, "Garment Exports to US Double in Five Years," *The Daily Star*, January 22, 2024.
[36] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain Resilience," Article 5.
[37] Bhuiyan, "Bangladesh's 2026 LDC Graduation" The author notes that Bangladesh may face tariff increases of 8–12 per cent in key markets post-graduation.
[38] Miah and Uddin, "Indo-Pacific Economic Framework (IPEF)," 412–415.

3.4 *SME Integration into Global Value Chains*

One of the remarkable points about IPEF Supply Chain Agreement is that it specifically addresses small and medium-sized enterprises (SMEs). The purpose of increasing the capacity to engage SMEs in the resilient supply chains is expressly stated in Article 2 of the agreement.[39] This is of great interest to Bangladesh where SMEs form the core of the economy but in many cases, fail to enter global value chains. The capacity building, information sharing and decreasing regulatory barriers provisions of the agreement will provide equal opportunity to the Bangladeshi SMEs through which they not only can compete better in the larger markets, but also can simultaneously explore other markets.[40] The IPEF model can also be used to help the Bangladeshi SMEs to form partnership with other bigger firms in other member countries providing an opportunity to transfer technology, skills as well as access the market which would otherwise be hard to obtain.[41]

4. Challenges and Constraints

Although the prospective benefits of the IPEF Supply Chain Agreement are enormous, a clear-eyed analysis must equally recognise the fact that the formidable challenges and limitations Bangladesh would encounter with regards to becoming a part of the agreement, as well as implementing it, are quite substantial.[42] The Structural Realism theoretical lens, with its focus on the anarchic international system, the distribution of power, and the primacy of state security, illuminates the powerful constraints that limit cooperation and shape state behavior, regardless of institutional arrangements.[43] These challenges, for Bangladesh, are not merely technical and administrative rather entrenched in both the realities of the international system and the country's position within it as a small, developing state caught between two competing great powers. This part gives a critical analysis of these risks arguing that the path to realizing IPEF's promise is fraught with difficulties that require careful navigation.

4.1 *Geopolitical Constraints and the China Factor*

The greatest challenge, perhaps, is the one on the geopolitical sphere. Structural Realism argues that in an anarchic system, states are acutely sensitive to relative gains and the security implications of any alignment. The IPEF is rightly,

[39] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain Resilience," Article 2.
[40] Miah and Uddin, "Indo-Pacific Economic Framework (IPEF)," 405–410.
[41] Keohane and Nye, *Power and Interdependence*, 27–29.
[42] Sharar, "An Assessment of Bangladesh's Indo-Pacific Outlook," 3–5.
[43] Waltz, *Theory of International Politics*, 102–128.

and very much, seen as a core part of the broader American effort to deal with the increasing Chinese influence in the Indo-Pacific.[44] In the case of Bangladesh, a country that has developed a close and multidimensional kind of relationship with China, joining IPEF would be a delicate balancing act. China has already expressed its criticism on the framework labelling it as an effort to form a special ‘bloc’ that is aimed at restraining its emergence.[45] The physical threat is that, if Bangladesh becomes an IPEF member, it may receive a blow back retaliation by Beijing in form of a decreased investment, a scaled back Belt and Road Initiative (BRI) project, or even *disruptions to the supply of critical industrial inputs*.[46] This puts Bangladesh in a classic small-state predicament, an experience that best reflects the concept of structural realism when smaller states have to manoeuvre through the competitive pressures exerted by the great powers in an anarchic system.[47] As Waltz argues, the structure of the system constrains the choices available to all states, but the constraints are most acutely felt by those with the least capabilities. It will take a lot of diplomatic acumen to navigate this dilemma and an objective evaluation of relative costs and benefits of staying on the side of each power.[48]

4.2 *Institutional Capacity and Implementation Gaps*

A significant issue is that the institution in Bangladesh is not yet ready to meet the high standards and complex demands of the IPEF framework. The agreement’s effectiveness hinges on the ability of member states to collect and share vast amounts of data, conduct sophisticated risk assessments, and enforce a wide range of regulations.[49] However, the administrative and regulatory bodies in Bangladesh have traditionally been challenged by resource shortage, technical expertise and digital infrastructure.[50] The customs administration of the country, as is the case, is still a massively manual system, and it would be hard to introduce the type of smooth flow of digital information that IPEF envisions. The compliance cost of the agreement that comes with the provisions of the agreements on labor rights, environmental protection and data privacy would also pose a heavy burden

[44] Motaher and Khaled, “Bangladesh vis-à-vis the Indo-Pacific Strategy,” 47–53.

[45] “China tells Bangladesh to reject Cold War mentality and bloc politics,” *Hindustan Times*, June 2, 2022.

[46] Li Jiming, “Ambassador Li Jiming Publishes an Article titled China’s High-Standard Opening Up Will Benefit Bangladesh,” Embassy of China in Bangladesh, December 10, 2022, http://bd.chinaembassy.gov.cn/eng/dshd/202212/t20221212_10989207.htm.

[47] Waltz, *Theory of International Politics*, 79–101. Waltz argues that the structure of the international system, defined by its ordering principle (anarchy), the functional differentiation of units, and the distribution of capabilities, shapes state behaviour.

[48] Waltz, *Theory of International Politics*, 111–114; Miah and Uddin, “Indo-Pacific Economic Framework (IPEF)”.

[49] Indo-Pacific Economic Framework for Prosperity, “Agreement Relating to Supply Chain Resilience,” Article 3.

[50] Sharar, “An Assessment of Bangladesh’s Indo-Pacific Outlook,” 5–7.

on the already overstretched regulatory organs of the country.[51] There is a tangible risk of a wide implementation gap between what was written in paper and what was present on the ground, which may undermine the credibility of the involvement of Bangladesh and restrain the tangible benefits that it gets.[52]

4.3 *Labor Rights, Compliance Costs, and Domestic Adjustment*

Strong focus of IPEF on the labor rights, as enshrined in Article 5 and the establishment of the Labor Rights Advisory Board, poses a very complicated challenge to Bangladesh.[53] Although the nation has improved to a certain extent, specially regarding the safety of factory since the Rana Plaza catastrophe, concerns remain about wage levels, working conditions, and the freedom of association. The high labor standards of IPEF would impose a lot of domestic changes that may face resistance from powerful domestic constituencies, including factory owners and certain political interests.[54] The compliance costs in the short run such as increased salaries and investments in workplace safety might be undermining the cost-competitiveness of the export-oriented industries in the country. Nevertheless, this obstacle is also an opportunity. The process of harmonizing the labor standards of Bangladesh to the IPEF standards could not only increase the welfare of its employees but also increase its appeal to more socially conscious consumers and its argument in favor of preferential market access schemes such as the GSP+ of the EU.[55]

4.4 *The Limits of a 'Non-Trade' Agreement*

Last but not least, it is pertinent to signify the limitations of the framework itself as structural realism theory provides a sober perspective on it. Realists are skeptical of international institutions that lack strong enforcement mechanisms, arguing that states will only comply with agreements when it is in their immediate national interest to do so.[56] IPEF does not include any concessions in terms of tariffs or market access, as compared to a classic FTA does. Its advantages are mainly institutional and cooperative based, which are based on the voluntary efforts of its member states.[57] It is also a possible risk that the perceived advantages of capacity building, transfer of technology and exchange of information might not become a

[51] Sharar, "An Assessment of Bangladesh's Indo-Pacific Outlook," 8–10.
[52] Motaher and Khaled, "Bangladesh vis-à-vis the Indo-Pacific Strategy," 55–58.
[53] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain Resilience," Article 5.
[54] Miah and Uddin, "Indo-Pacific Economic Framework (IPEF)," 405–410.
[55] Miah and Uddin, "Indo-Pacific Economic Framework (IPEF)," 412–415.
[56] Waltz, *Theory of International Politics.*
[57] Matthew P. Goodman and William Alan Reinsch, "Filling In the Indo-Pacific Economic Framework," Center for Strategic and International Studies, January 26, 2022, https://www.csis.org/analysis/filling-indo-pacific-economic-framework.

reality unless the member states put them into practice. The fact that most of the commitments are not binding also implies that there is no remedy that Bangladesh can seek in case other members do not fulfill their commitments.[58] What makes IPEF a riskier offer compared to a conventional trade deal is the costs of compliance being more definite than the reward of participation. As a result, developing countries must navigate the situation carefully.[59]

5. The Alienation Dilemma: Risks of Non-Engagement

Although the price of becoming a member of IPEF is definitely high, the incentive of not becoming one is perhaps even higher. In a rapidly evolving global economic landscape, where supply chains are being reconfigured and new standards are being established, non-engagement is not a neutral stance; it is a choice that also comes with its own set of weighty consequences.[60] In the case of Bangladesh, main risk of not becoming a part of IPEF is the risk of structural alienation, a slow decoupling from the emerging economic architecture of Indo-Pacific, which might result in a loss of its competitiveness and strategic relevance in the long term. These risks remind us of the main principles of Complex Interdependence when the lack of membership in major networks of interaction may result in substantial economic and diplomatic marginalisation if not exclusion.[61] Simultaneously, structural realism argues that if a state fails adapting to a shifting power distribution, risks being marginalized in the new order.[62] Together, these theories predict that non-engagement carries both economic and strategic costs.

5.1 Exclusion from Global Supply Chain Reorganisation

The IPEF is not merely lip service, rather a coordinated attempt of the largest global economies as well as the most significant regional partners to transform the geography of global production. The framework is explicitly designed to promote the ‘friend-shoring’ of supply chains where investment and sourcing decisions are guided towards politically aligned nations.[63] From a structural realist perspective, this is a predictable outcome of great power competition: the US is using economic tools to consolidate its bloc, and states that remain outside this bloc risk losing access to

[58] Arasasingham et al., “Domestic Perspectives on IPEF’s Digital Economy”.
[59] Sharar, “An Assessment of Bangladesh’s Indo-Pacific Outlook,” 8–10.
[60] Sharar, “An Assessment of Bangladesh’s Indo-Pacific Outlook,” 3–11.
[61] Keohane and Nye, *Power and Interdependence*, 8–11. The authors argue that complex interdependence is characterised by multiple channels connecting societies, an absence of hierarchy among issues, and a minor role for military force.
[62] Waltz, *Theory of International Politics*.
[63] Goodman and Reinsch, “Filling In the Indo-Pacific”.

the economic benefits it generates. By choosing not to participate, Bangladesh would be voluntarily excluding itself from this process of reorganisation. It would turn into a passive bystander rather than an active participant in the designing of the region's future economic landscape.[64] In a world where supply chain resilience is increasingly becoming geo-politicized, being outside the dominant resilience-building framework could lead to a gradual marginalization of Bangladeshi suppliers. Under pressure exerted by their home governments and consumers to assure the security and ethics of their supply chain, major multinational corporations might prefer to resort to IPEF member countries on the list of suppliers.[65]

5.2 *Misaligned Technological Upgradation and Uniformed Standardisation*

Inability to adopt new technologies and standards is one of the greatest long-term risks of non-engagement. Complex interdependence theory emphasises that international regimes and institutions play a crucial role in setting the rules of the game: the standards, norms, and procedures that govern economic interaction.[66] The members of IPEF actively strive to come up with universal digital trade standards, data localization and take advantage of the latest technologies including blockchain and the Internet of Things (IoT) in supply chain management.[67] If Bangladesh remains outside this process, it risks becoming technologically and regulatorily misaligned with its major trading partners. This may impose a considerable non-tariff barrier since the companies in Bangladesh would be forced to manoeuvre around a multifaceted and disjointed environment of various standards and regulations.[68] The compliance expenses would go up, and the investment destination appeal would go down. Essentially, non-participation may result in some sort of 'standards isolation' that will be challenging and expensive to resolve.[69]

5.3 *Missed Opportunities for Institutional Learning and Capacity Building*

The IPEF model is not only concerned with the establishment of standards, but it also entails the support required for achieving them. The agreement has also been very detailed on technical assistance, capacity building and best practice sharing.[70] These provisions are invaluable to a country like Bangladesh where institutional capacities are significantly constrained. With alienation, Bangladesh

[64] Sharar, "An Assessment of Bangladesh's Indo-Pacific Outlook," 5–7.
[65] Motaher and Khaled, "Bangladesh vis-à-vis the Indo-Pacific Strategy," 55–58.
[66] Keohane and Nye, *Power and Interdependence*.
[67] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain Resilience," Article 3.
[68] Miah and Uddin, "Indo-Pacific Economic Framework (IPEF)," 405–410.
[69] Keohane and Nye, *Power and Interdependence*, 30–32.
[70] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain Resilience," Article 3.

would be foregoing a crucial opportunity to experience what has worked in the advanced economies, improve its own regulatory and administrative infrastructure, and develop the human capital to compete in the 21st century economy.[71] It would be a particularly significant loss to the SMEs of the country, which are one of the main targets of the IPEF capacity-building activities and which tend to have scarce resources that allow them to receive such assistance independently.[72]

5.4 *Subtle Forms of Market Access Discrimination*

Although IPEF does not provide preferential tariffs, it is naive to believe that it will not affect market access. The structure is meant to establish an integrated and more trustful economic ecosystem amongst the members.[73] As companies in the IPEF block start harmonizing their systems, exchanging data and developing relationships, they will naturally start giving preference to sourcing among themselves. This will establish a discriminatory, albeit subtly, access to the market against the non-members.[74] The suppliers in Bangladesh may end up disadvantaged competitively not due to tariffs but due to lack of being a part of the trusted circle of IPEF suppliers. In a world where trust and relationships have become major criteria in the decision-making process in the supply chain, being an outsider is a significant liability.[75]

5.5 *Diplomatic Marginalization and Reduced Influence*

Lastly, the lack of involvement with IPEF involves major diplomatic risks. Structural realism posits that in a bipolar or multipolar system, states must signal their intentions clearly to avoid misperception.[76] IPEF is the central element of the US economic approach to the Indo-Pacific, and participation is regarded as a signal of aligning with the US vision of the region.[77] Although Bangladesh has traditionally been boasting of its non-aligned foreign policy, non-participation in IPEF (or any other regional economic framework for that matter) may be viewed as a move towards Chinese (or to the alternative power-driven bloc) alignment. It may result in declined relations with the United States and its allies and reduce the influence of Bangladesh on the issues related to the economy and security of the region.[78] In an increasingly

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[71] Miah and Uddin, "Indo-Pacific Economic Framework (IPEF)," 412–415.
[72] Keohane and Nye, *Power and Interdependence*, 27–29.
[73] Indo-Pacific Economic Framework for Prosperity, "Agreement Relating to Supply Chain Resilience".
[74] Sharar, "An Assessment of Bangladesh's Indo-Pacific Outlook," 8–10.
[75] Motaher and Khaled, "Bangladesh vis-à-vis the Indo-Pacific Strategy," 55–58.
[76] Waltz, Theory of International Politics.
[77] Ministry of Foreign Affairs Bangladesh, "Indo-Pacific Outlook of Bangladesh".
[78] Motaher and Khaled, "Bangladesh vis-à-vis the Indo-Pacific Strategy".

polarised world, the scope of remaining non-aligned is rapidly decreasing and failure to engage in major regional initiatives may certainly be perceived as opposition.[79]

6. China's Pivotal Role: Supply Chain Interdependence and Strategic Implications

Any analysis on involvement of Bangladesh in IPEF will not be sufficient without examining the pivotal role played by China in the economy and the broader regional architecture. China is not a big trading partner of Bangladesh; it is the backbone on which most of the industrial strength of the country is anchored.[80] Such economic interdependence, which is also a feature of Complex Interdependence, poses a complicated strategic calculus for Dhaka as the theory describes this case as an *asymmetric interdependence*: both states benefit from the relationship, but Bangladesh is far more dependent on China than China is on Bangladesh.[81] This asymmetry, as Keohane and Nye argue, is itself a source of power, giving the less dependent actor significant leverage.[82] Nonetheless, as structural realism would predict, this interdependence does not drive out security competition; it is, in fact, a carrier of it, since any action toward IPEF is bound to be seen in the perspective of its relationship with Beijing.[83] This part will examine the complex nature of the role played by China by arguing that although IPEF provides a source of diversification, it cannot and should not be perceived as a decoupling tool.

6.1 *The Architecture of Dependence: China's Dominance in Bangladesh's Supply Chain*

China supplies over half of the raw materials used in the lifeblood of the Bangladesh economy: RMG industry, and over 40 per cent of its industrial equipment.[84] In the language of complex interdependence, this represents a condition of *high sensitivity and vulnerability interdependence* caused by not due to mere preference of trade but an inherent structure that was created due to the unmatched manufacturing capacity, cost-competitiveness and logistical efficiency of China. This reliance was tested during the COVID-19 pandemic, as 93 per cent of the Bangladeshi suppliers noted severe supply chain disruption as Chinese factories

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[79] Waltz, *Theory of International Politics*, 126–128.
[80] Leitheiser et al., "Early Impacts of Coronavirus".
[81] Keohane and Nye, *Power and Interdependence*, 24–25.
[82] Keohane and Nye, *Power and Interdependence*.
[83] Waltz, *Theory of International Politics*, 102–128.
[84] Wimal Perera, "Bangladesh Government Downplays COVID-19 Threat as Job Losses Mount," World Socialist Web Site, March 16, 2020, https://www.wsws.org/en/articles/2020/03/16/bang-m16.html.

and ports shut down.[85] This experience revealed a fatal weakness in the core of the Bangladesh economy. The role of China is not only one of a supplier, it is the linchpin of a regional production network which has enabled Bangladesh to gain the position of the second-largest exporter of apparel in the world. Without China, it is hardly possible to conceive of a Bangladeshi RMG industry, and most probably, it would be a rather different and far less competitive business.[86]

6.2 *Strategic Intertwining: The Belt and Road Initiative and Beyond*

The influence of China goes way beyond supplying the intermediate goods. China has become a significant investor in Bangladesh infrastructure through its Belt and Road Initiative (BRI) programme, which has been funding and building bridges, power plants, ports, and industrial parks among others.[87] Although these projects primarily aimed at the economic growth of Bangladesh, these are also used to economically and strategically intertwine the country with China. Structural realism theory suggests that the BRI, apart from being an economic initiative, is a grand strategic vision for the Eurasian continent to connect each other through a Chinese-led infrastructure and economic corridors.[88] For Beijing, BRI is a tool for expanding its sphere of influence, securing access to strategic resources and trade routes, and building a network of dependent states that will support its interests in the international arena. Bangladesh, for Beijing, is one of the important nodes of this network-an opening to the Indian Ocean, and a useful asset in its greater geopolitical game. BRI, for China, is a strategic investment that would provide considerable leverage over Bangladesh because the future of the country is growing to be more dependent on the realization of the BRI projects.[89]

6.3 *IPEF as a Geopolitical Challenge: China's Explicit Opposition*

In this light, it should not be surprising that China has responded to IPEF with paranoia and aggression. The framework of the United States, as seen by Beijing, is a thinly veiled effort to build an anti-China coalition for disintegrating the regional supply chain and contain its emergence. The Chinese authorities have issued repeated statements to the nations in the region to disavow this framework and termed as a Cold War attitude and 'bloc politics'.[90] This open confrontation puts Bangladesh in a very disadvantaged situation. Being a member of IPEF is tantamount

[85] Leitheiser et al., "Early Impacts of Coronavirus".
[86] Miah and Uddin, "Indo-Pacific Economic Framework (IPEF)," 405–410.
[87] Jiming, "Ambassador Li Jiming Publishes".
[88] Motaher and Khaled, "Bangladesh vis-à-vis the Indo-Pacific Strategy".
[89] Motaher and Khaled, "Bangladesh vis-à-vis the Indo-Pacific Strategy".
[90] "China tells Bangladesh to reject Cold War mentality and bloc politics".

to risking enmity with its most significant economic partner, in addition to being viewed as taking side in the US-China strategic rivalry. This is a direct contradiction to the long-standing foreign policy principles in Bangladesh that have enabled us to sail smoothly through the great power politics over decades.[91]

6.4 *The Diversification Dilemma and the Decoupling Paradox*

Advocates of IPEF believe that this would provide Bangladesh with a means of reducing its dependence on China. Nevertheless, a closer examination unveils the weakness of this argument. Although the framework can undoubtedly facilitate the process of Bangladesh's relation with other suppliers, there is no single IPEF member, or even the entire block, that can substitute the role of China in the short to medium-term.[92] The size, range and affordability of the Chinese industrial environment are just unrivaled. Diversification is a prudent policy for mitigation not replacement.[93] This causes a paradox to Bangladesh as IPEF implicitly suggests decoupling the supply chain with China, which, for Bangladesh, is neither feasible nor desirable. This paradox can be understood through the tension between the two theoretical lenses. Complex Interdependence suggests that Bangladesh should seek to diversify its relationships and build new institutional ties through IPEF to reduce its vulnerability, whereas Structural Realism warns any such move will be interpreted by China as a hostile act, potentially triggering the very retaliatory measures that Bangladesh seeks to avoid.

The economy of Bangladesh is hinged on its accessibility to the US market as well as Chinese inputs but in the geopolitical ballgame, that position is often untenable.[94] The decision to engage with IPEF should be taken with a thorough understanding of the consequences coupled with a clear strategy for managing those consequences.[95]

7. Policy Recommendations

For Bangladesh, being at the crossroad of great power politics and standing on the cusp of a major economic shift, the choice to or not to participate in IPEF and the manner thereof is a test of its diplomatic dexterity and acumen. The preceding discussion has revealed that neither wholesale acceptance nor rejection of the framework are in the national interest of Bangladesh. Rather, the optimal

[91] Ministry of Foreign Affairs Bangladesh, "Indo-Pacific Outlook of Bangladesh".
[92] Sharar, "An Assessment of Bangladesh's Indo-Pacific Outlook," 5–7.
[93] Miah and Uddin, "Indo-Pacific Economic Framework (IPEF)," 405–410.
[94] Waltz, *Theory of International Politics*, 111–114.
[95] Waltz, *Theory of International Politics*, 126–128.

path forward is a policy of selective engagement: a course of action that aims to maximise the economic utility of involvement but reduce the geopolitical risk. This section proposes some policy proposals of how Bangladesh can address the strategic pathway.

If Bangladesh wishes to become a member of IPEF, then it has to publicly express its interest but with a well-defined preference to the economic pillars, especially the Supply Chain Agreement (Pillar II). The country can depoliticize its participation by positioning it as a sensible economic decision to increase resilience and prepare to graduate from the LDCs to allay fears of non-IPEF partners. Empirical examination of joining the Supply Chain Agreement offers the most practical benefits and directly addresses the immediate needs of the country. The decision on the other pillars could be held back and decided progressively, with a careful evaluation of the cost and benefits involved.

To cope with the geopolitical fallout of joining IPEF, Bangladesh should adopt a progressive and open diplomatic approach. This must be accompanied by high-level discussions with Beijing explaining its economic reasons behind its action and reiterating its adherence to the principle of non-alignment. Bangladesh needs to point out that its involvement in IPEF does not constitute a zero-sum game and that it will remain an active participant and contributor to and supporter of China-led projects such as the Belt and Road Initiative (BRI). This is aimed at positioning the IPEF participation as not a strategic realignment, but as diversification of its economic partnerships, in line with the national development requirement.

The benefits of IPEF will not accrue automatically; they must be actively cultivated. It necessitates making a detailed and long-term investment in developing necessary institutional capacity required to absorb and implement the provisions of the agreement. This must involve a great effort to modernize the customs of the country, to modernize its digital infrastructure, and to empower its regulatory body. An inter-ministerial task force with special attention must be formed to implement the commitments of the IPEF and provide full involvement of the private industry and the civil society to the process.

Bangladesh should strategically link its IPEF engagement with its preparations for LDC graduation. The mandates of capacity-building and standards-alignment should be employed to hasten the reforms required to compete in the post-LDC era. Specifically, the government needs to capitalise the IPEF emphasis on labor rights to advance its domestic labor reform agenda which will be instrumental in winning favorable market access to the European Union through the GSP+ scheme. Bangladesh can buttress its argument of being treated with preference by its key trading partners by proving a plausible willingness to comply with high standards in the context of the IPEF.

In the long run, the security and prosperity of Bangladesh will be determined by its capacity to retain its strategic independence and the fact that it is not made a chess piece in the great power competition between the US and China. This can be done by developing a diversified portfolio of economic and strategic alliances. During the interaction with the IPEF, Bangladesh also needs to extend its interaction with other regional arrangements and organizations like RCEP, ASEAN and BIMSTEC, and intensify its bilateral relations with other regional middle powers. By building a dense network of overlapping partnerships, Bangladesh can enhance its resilience, increase its bargaining power, and preserve its freedom of manoeuvre in an increasingly contested world.

8. Conclusion

The Indo-Pacific Economic Framework for Prosperity represents the architecture of regional economic governance. Bangladesh, with deep economic ties to both the developed West and the rising East, the question of how to engage with the framework is not merely a technical matter of trade policy. It is a fundamental question about the country's future trajectory, its place in a rapidly reconfiguring global order, and its ability to maintain its strategic autonomy in an era of intensifying great power competition.

The paper has detailed the opportunities, issues, and strategic considerations of the possible inclusion of Bangladesh in the IPEF Supply Chain Agreement. The study followed a theoretical framework integrating the insights of the Complex Interdependence Theory with the cautionary principles of Structural Realism, an approach that assumes that there is a possibility of cooperation provided by the institutional structures, but at the same time the system is regulated by the constraints of the anarchic structure of the international system and power asymmetries within it. Complex Interdependence has served as the primary analytical tool for explaining the cooperative potential of IPEF—the mechanisms through which institutional participation can yield absolute gains in supply chain resilience, capacity building, and standards alignment. It has provided the concepts of sensitivity and vulnerability interdependence to analyze Bangladesh's dependence on China, and the concept of institutional networks to explain both the benefits of participation and the costs of exclusion. Structural Realism, conversely, has served as the primary tool for explaining the constraints—the geopolitical risks, the small-state dilemma, and the competitive pressures imposed by the US-China rivalry. It has provided the lens to understand China's BRI as a strategic instrument, to explain the logic of friend-shoring, and to caution against the limitations of non-binding institutional commitments.

The paper argues that the IPEF Supply Chain Agreement is certainly a toolkit providing Bangladesh with the instruments to tackle some of the most acute economic problems. The four aspects of the framework such as the supply chain diversification, capacity building, technological transfer and standards alignment are quite responsive to the development requirements of Bangladesh. However, equally significant are the challenges of participation e.g., institutional capacity constraints, costs of compliance with higher labor and environmental standards and the geopolitical risks.

The risks of non-engagement are seemingly high as compared to the risks of engagement, as long as the latter is sought within the frames of the selective engagement strategy. The risk of falling behind in a fast-restructuring global supply chain and being subjected to subtle discrimination in the global market implies that Bangladesh would slightly be better with the IPEF framework. On the contrary, the role of China in the economy of Bangladesh is so fundamental that it cannot be overlooked and circumvented. Getting involved with IPEF should come with an identical plan to find a way of dealing relationship with Beijing. Selective engagement, gradual accession, the active practice of diplomacy, capacity building at home and sustenance of strategic autonomy with diversified partnership should not to be seemed as the substitute of existing tested trading relation with China. To manoeuvre this complex landscape and to pursue a strategy of selective engagement with the IPEF, grounded in the principle of non-alignment and strategic autonomy, will be crucial for Bangladesh in order to reap the economic benefits.