

Bangladesh: Historical BNP opposition party has the challenging task to implement political reforms and change the country's trajectory | Credendo

Event

On 12 February, voters went to the polls for the first free general elections since 2009, after former long-serving PM Sheikh Hasina was forced to exile in August 2024. Following the political transition, the favourite and historical opposition party, the Bangladesh National Party (BNP), won a landslide victory, in the absence of the former ruling party, the Awami League, ahead of the electoral alliance between the Islamist Jamaat-e-Islami and the National Citizen Party (NCP) formed after the ousting of PM Hasina. Simultaneously, two-third of the voters voted in favour of the “July Charter”, namely the constitutional reforms agreed by most parties under the transitional government. The BNP government will be run by Tarique Rahman – son of twice former PM Khaleda Zia – who just returned from a long exile in London. Despite high tensions and political violence during the political transition, elections proceeded quite peacefully.

Impact

Backed by a solid parliamentary majority, the new PM will have a strong mandate to run his political agenda and implement the pledged reforms. Looking ahead, it remains to be seen whether the BNP, one of the two historical dominant parties since Bangladesh's independence, will be able and willing to reform the political system and put the country on a new trajectory. Moreover, heightened political violence amid high socio-political instability risks will need to be monitored, particularly given high expectations among the population. The BNP's return to power (for the first time since 2006) will be closely watched by the large youth population – who ousted the former country leader – for its handling of top issues, such as the fight against corruption, the adoption of constitutional and political reforms (drafted during the political transition), economic challenges (diversification from garment dependence, frozen FDI, US tariffs, climate change impact) and repairing ties with India (where PM Hasina lives in exile).

PM Rahman's task will obviously be complicated by the Iran war and the resulting economic and energy turmoil. Bangladesh's energy needs – which largely depend on imports – are indeed much exposed to the Gulf countries' disrupted production and exports, as Bangladesh's oil and gas imports pass predominantly through the Strait of Hormuz. Moreover, more than half of Bangladesh's key workers' remittances – accounting for nearly 40% of its current account receipts – comes from Gulf countries. Rising inflation (from already high levels, i.e. 8.5% in January), especially for energy and food prices, costlier imports deepening the current account deficit and declining foreign exchange reserves are other consequences to expect in the short term. The Middle East crisis is likely to harm the global and domestic economy, notably via potential domestic power shortages (given limited fuel storage), and thus to affect Rahman's policies in the coming months. In this challenging climate, uncertainty is likely to persist for some more time, weighing on a weakened economy and on FDI. As for other South Asian countries, the magnitude of the economic shock will depend on the duration of the conflict and of the disruptions in energy imports from the Gulf, which will have an impact on the cost of living and could increase social instability on the back of the increasing poverty witnessed over the past years.

In this context, the outlook for the ST and MLT political risks (respectively in category 4/7 and 5/7)

and the business environment risk (E/G) is negative.

Analyst: Raphaël Cecchi – r.cecchi@credendo.com