

BNP government in Bangladesh imposes economic impact of Iran war on working people

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9 April 2026

Just six weeks after being installed in power, the right-wing Bangladesh Nationalist Party (BNP) has rapidly jettisoned its promises to improve living standards and ensure basic democratic rights. With the country hit hard by the US-Israeli war of aggression on Iran and sky-rocketing energy prices, it is imposing the full burden on working people as it carries out the austerity demands of the International Monetary Fund (IMF).

The war on Iran, which was launched less than two weeks after the BNP was installed in office, is impacting heavily on the economy and creating great social distress. Bangladesh imports around 95 percent of its energy requirements, of which between 70–90 percent transit through the Strait of Hormuz that was closed by the war.

High prices for petrol and diesel have driven up transport costs and are now triggering sharp price increases for essential goods such as vegetables and beef.

Electricity shortages and mandatory early shop closures are crippling small businesses. Farmers are being hit on multiple fronts with high fuel costs making irrigation and farm machinery unaffordable. They are also facing shortages and higher prices for fertilizers after four of the country's five state-run fertilizer factories were shut down as scarce gas supplies were diverted to power plants.

The BNP government has imposed sweeping rationing and other austerity measures, including daily fuel purchase limits based on vehicle type, tighter controls at filling stations, early closure of universities and reduced office hours, a 6 p.m. shutdown for shops and malls, and a 30 percent cut in government fuel and power consumption.

The new government of Prime Minister Tarique Rahman remains committed to the IMF's austerity program. In 2022, the Awami League (AL) government was forced to turn to the IMF as foreign-exchange reserves plummeted in the wake of the global price shock triggered by US-NATO war in Ukraine against Russia and the COVID-19 pandemic. The currency—the taka—sharply depreciated and the import bill for fuel, food and fertilizer surged.

A \$US4.5–4.7 billion package was formally approved by the IMF Executive Board on 30–31 January 2023, making

Bangladesh the first South Asian country hit by the crisis to secure an IMF bailout, with disbursements scheduled in seven tranches through late 2026.

The loan came with heavy demands including transitioning to a “market-based exchange rate” for the taka and maintaining a “tight monetary policy” to curb inflation. Higher taxes, the rationing of energy subsidies and cost-recovery tariffs had to be implemented. Above all, government spending had to be slashed to rein in the budget deficit.

As former prime minister Sheikh Hasina's AL government ruthlessly implemented these measures, anger erupted in July 2024 in the mass “Gen Z” demonstrations led by Students Against Discrimination (SAD).

The protests began after a Supreme Court decision reinstated a discriminatory quota system for public sector jobs that had been scrapped in 2018, after years of cost-of-living rises, strained public services and stagnating employment.

Hasina responded with a military crackdown, killing more than 300 people—mostly students and other demonstrators—and arresting over 4,500, before a wave of violent protests drove her from power and forced her to flee to India, ending the Awami League's 15-year rule.

The Bangladeshi military played a key role in Hasina's ouster and installing Muhammad Yunus, a well-known economist and “development banker” with close ties to the US, as head of an emergency interim government. Picking up where Hasina left off, the Yunus administration moved swiftly to reimpose capitalist “law and order,” ensured the country's key garment industry resumed production and pressed ahead with the IMF's austerity measures.

With the backing of SAD leaders, the BNP and the military, Yunus sought to reshape the state apparatus. He replaced Awami League loyalists and appointees across key institutions with figures aligned to the BNP or technocrats tied to big business and international bodies such as the IMF and World Bank. At the same time, in a bid to secure popular backing, the interim government moved against select crony capitalists who had profited from close relations with the previous regime.

Yunus accelerated the cuts to government spending, while

raising VAT and other indirect taxes and implementing market reforms. GDP growth slowed to 3.7–3.9 percent for the 2025 financial year and was optimistically forecast to reach 4.7–5.1 in the 2026 financial year. Real wages fell as inflation remained at 9–10 percent annually, while wages rose by only 7.7 percent.

The World Bank estimates 36 million people live in poverty, many of whom face moderate or severe levels of food insecurity. While official unemployment is around 4–5 percent, this masks pervasive under-employment with up to 85 percent of workers in informal, low-productivity, low-wage jobs, with limited security.

In response to rising social anger, the Yunus administration cracked down on strikes, protests and other forms of opposition, while claiming to be making democratic reforms. A Human Rights Watch report released in January noted that “a disturbingly familiar pattern of security force abuses and political reprisals has reemerged, this time targeting perceived Awami League supporters.”

Shedding its posture of “caretaker” neutrality, the government in May 2025 banned the Awami League under the Anti-Terrorism Act, thus barring it from contesting the February 2026 elections. The AL and the BNP have been the two main parties of bourgeois rule since Bangladesh was established in 1971.

Under these conditions, the BNP’s “landslide win” was no surprise. The BNP-led eight-party alliance secured a two-thirds majority, winning 212 of the 300 contested seats in the 350-member parliament. The poll was a sham, conducted anti-democratically under a massive military deployment of some 900,000 security personnel.

Tarique Rahman, son of former prime minister Khaleda Zia, was sworn in as prime minister on February 17. He had spent nearly 17 years in exile in the UK following corruption charges filed during the 2007–2008 caretaker government and later pursued under Awami League rule.

An 11-party alliance led by the right-wing Islamist Jamaat-e-Islami (JeI) won 77 seats, including six held by its ally, the National Citizen Party (NCP). The JeI has for the first time emerged as the official opposition. The NCP, formed after the 2024 protests by a faction of SAD leaders alongside other civil rights groups, has strengthened the JeI-led bloc.

While promising to alleviate poverty during the election campaign, the BNP government has only made token price reductions on a handful of essential items and rolled out a Family Card for the most needy. The Family Card, initially available only to a small proportion of the population, is nothing more than a consolidation of existing welfare payments under one scheme.

Claims that the government will implement major democratic reforms are similarly fraudulent. A referendum was held alongside the election to endorse the much-vaunted National July Charter, which was approved by around 60 percent of voters. The Charter, drawn up under the Yunus administration

and trumpeted as the foundation of a “Second Republic,” is a cosmetic dressing up and strengthening of the discredited state apparatus.

The Charter will introduce prime ministerial term limits and a bicameral parliament supposedly to dilute executive power and establish an Anti-Corruption Commission, which will do little to end rampant corruption. Behind this window-dressing about safeguarding fundamental rights, a state of emergency can still be declared and the repressive machinery of the state—including the police, the Rapid Action Battalion (RAB), infamous for extra-judicial murders, and the military remain fully intact.

In the past, like the AL, the BNP has repeatedly used state forces and Islamist allies to suppress the working class and political opponents during the governments of Khaleda Zia from 1991–1996 and 2001–2006. In one particularly notorious incident, a grenade attack on an AL rally in Dhaka in August 2004 nearly killed Sheikh Hasina and left 20 dead and around 300 injured.

The BNP has long-standing ties to the military and Islamist fundamentalist forces. Founded in 1978 by Ziaur Rahman, the current prime minister’s father, it amended the 1971 Constitution to replace “secularism” with “Islam.” It lifted the ban on JeI, which had been prohibited for its role supporting Pakistan’s military during the 1971 independence war led by Sheikh Mujibur Rahman. In 2004, the BNP established the RAB.

In foreign policy, the BNP government has adopted a thoroughly subservient stance to the US imperialism, reflecting its dependence on IMF finance and fear of punitive Trump tariffs. A Ministry of Foreign Affairs statement issued on February 28 in the wake of the criminal US-led attacks on Iran called on “all parties” to “exercise restraint.” It did not criticize or condemn the aggressors—the US and Israel—thereby signalling tacit support for US imperialism.

At the same time, amid intensifying geopolitical tensions and rivalries, the government is attempting to maintain relations with China, which is the country’s largest trading partner, and neighbouring India. Ties with New Delhi have been strained by the government’s demands for the extradition of former prime minister Hasina.

Far from opening a new democratic era, the BNP government is presiding over a deep economic and social crisis. It will deepen the attacks on the living conditions of working people and use repressive measures to try to stamp out any opposition.



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