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OPINION ARTICLE

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Economic Growth: A Catalyst for Political Stability in Bangladesh

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Abstract

Bangladesh has achieved notable economic success, yet its continued progress is threatened by persistent political instability and governance issues. This study examines the complex relationship between economic growth and political stability in Bangladesh, arguing that while GDP growth has improved livelihoods, it may be unsustainable without addressing political instability. Drawing on lessons from countries like South Korea and Vietnam, the study emphasizes that strong institutions, transparent governance, and anti-corruption measures are crucial for fostering long-term stability. The analysis reveals that economic growth alone is insufficient to ensure political cohesion; accountability and equitable development are also necessary to prevent unrest and uncertainty. To secure its economic gains, Bangladesh must prioritize political reforms, strengthen its institutions, and implement a governance system that promotes both stability and sustainable growth.

1. Introduction

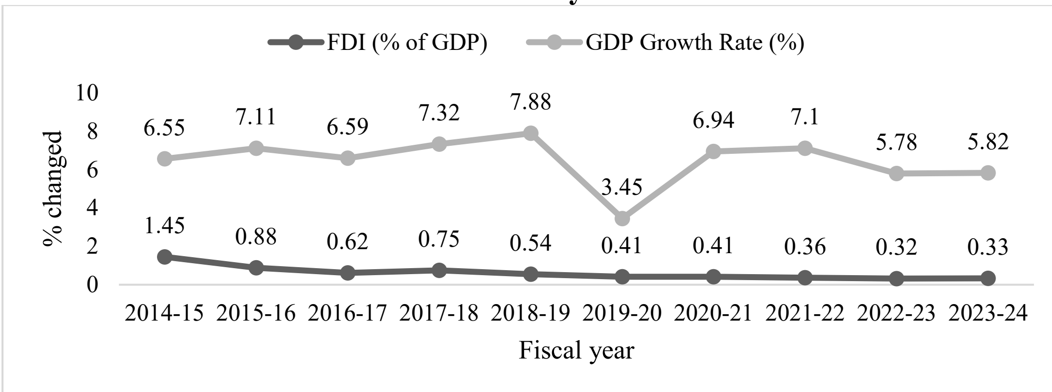
Bangladesh stands at a crossroads. Its economic success story is undeniable, but the persistent shadow of political instability threatens to undo decades of progress. We firmly believe that unless governance reforms and anti-corruption measures become national priorities, economic growth will remain fragile and unsustainable. This tension underscores the importance of exploring the complex relationship between economic growth and political stability, a dynamic that shapes Bangladesh’s past achievements and future potential. The narrative of Bangladesh as a "Bengal Tiger" is highlighted by its impressive GDP growth rates, which have averaged over 6% annually, lifting millions out of poverty and transforming the nation into a burgeoning economy (Islam, 2019). However, the persistent challenges of political unrest, corruption, and governance issues raise critical questions about the sustainability of this growth and its implications for political stability. The relationship between economic growth and political stability is complex and multifaceted. On one hand, a stable political environment is essential for attracting foreign direct investment (FDI), which is crucial for economic development. Studies have shown that political stability significantly enhances investor confidence (Bonaparte et al., 2017; Kim, 2010), leading to increased inflows of capital and fostering economic growth within the region, as businesses are more likely to invest in a stable environment where risks are minimized.

Conversely, economic growth can also reinforce political stability by improving living standards and reducing social unrest, as citizens become more satisfied with their economic circumstances (Tabassum & Ahmed, 2014). This reciprocal relationship suggests that fostering both political stability and economic growth is vital for Bangladesh's future. Despite the progress made, Bangladesh faces significant hurdles that threaten to undermine its economic achievements. Issues such as inadequate infrastructure, bureaucratic inefficiencies, and a lack of transparency in governance continue to pose challenges for investors and policymakers alike (Chand, 2024). Furthermore, the recent global economic disruptions, exacerbated by the COVID-19 pandemic, have highlighted the vulnerabilities within Bangladesh's economy, making it imperative for the government to adopt strategies that not only promote growth but also ensure political stability (Rana, 2024). In this context, the exploration of whether economic growth can serve as a catalyst for political stability in Bangladesh is crucial. As the nation strives to navigate its path towards becoming a middle-income country, understanding the interplay between these two dimensions will be essential for policymakers. This article delves into the arguments supporting the notion that political stability encourages investment, the ways in which economic growth reinforces political stability, and the counterarguments that suggest stability can exist without growth, drawing on examples from both Bangladesh and other nations.

2. Political Stability Encourages Investment

Political stability is a crucial determinant of investment decisions, as it reduces uncertainty and risk for potential investors. The World Bank has highlighted that political instability can deter investment and slow economic development, as investors seek environments where their investments are secure and predictable (Khan, 2023). In contrast, countries with stable political systems often experience increased foreign direct investment, leading to job creation and overall economic growth (Epaphrodite, 2020).

Figure 1: Trends in GDP Growth Rate and FDI as a Percentage of GDP in Bangladesh for the last ten years.



Source: (Bangladesh Bank, 2024; BBS, 2024).

In Bangladesh, the historical context reveals that periods of political unrest have often coincided with declines in FDI (Islam, 2019). For instance, during the political turmoil of the early 2010s, FDI inflows decreased significantly, illustrating the direct impact of political conditions on economic prospects (Islam, 2019). Moreover, the relationship between political stability and investment is not limited to Bangladesh. Countries like Vietnam have demonstrated that a stable political climate can attract substantial foreign investment, leading to rapid economic growth. Vietnam's political stability has been a key factor in its transformation into one of the fastest-growing economies in Southeast Asia, as it has successfully attracted FDI in various sectors, including manufacturing and technology (Rehman et al., 2020). This comparison underscores the importance of political stability in creating an attractive investment climate, and Bangladesh must take strategic steps to replicate such success.

Bangladesh’s government has recognized the need for political stability to foster economic growth. Initiatives aimed at improving governance and reducing corruption have been implemented to enhance the investment climate (Ahmad, 2024). The establishment of special economic zones and investment-friendly policies reflects the government's commitment to creating a stable environment conducive to investment. However, more needs to be done. Clear legal frameworks, strengthened institutions, and a transparent investment policy must be implemented to ensure sustained investor confidence. Such measures are essential for attracting both domestic and foreign investors, who are crucial for driving economic growth.

Furthermore, the role of institutions cannot be overlooked in this context. Research indicates that strong institutions, characterized by effective governance and rule of law, significantly enhance the investment climate and promote sustainable economic growth by fostering trust among investors and ensuring a stable environment for business operations (Islam & Shindaini, 2022; Younsi & Bechtini, 2019). In Bangladesh, efforts to strengthen institutions have been linked to improved economic performance, as they contribute to a more predictable and secure environment for investors. To bridge the gap between economic growth and foreign investment, Bangladesh must ensure that its institutions are not only strong on paper but also effective in practice.

This relationship between FDI and GDP growth is vividly illustrated in Figure 1. The red line, representing GDP growth rates, shows a steady rise until 2019, followed by a sharp dip in 2020 due to the COVID-19 pandemic and a subsequent recovery. In contrast, the blue line, depicting FDI as a percentage of GDP, remains consistently low and flat throughout the decade. This stark contrast highlights an urgent need for Bangladesh to address structural challenges and institutional weaknesses. According to a policy-level expert,

"A calm and stable political environment fosters trust among both local and foreign investors. When people perceive stability, investors are more willing to commit to long-term projects, expand businesses, and introduce new technologies. Economic planning and infrastructure development proceed smoothly in such an environment. Conversely, political unrest or uncertainty causes hesitation, delays, and cautious behavior. Investors may postpone major decisions or reduce investment levels until the situation stabilizes. This highlights that political stability is a key factor in sustaining continuous economic growth."

By integrating these insights, it becomes evident that prioritizing governance reforms and ensuring political stability are not just policy objectives but fundamental prerequisites for attracting sustained investment and achieving long-term economic growth in Bangladesh.

3. Economic Growth Reinforces Political Stability

Conversely, economic growth can also reinforce political stability by addressing citizens' needs and reducing social unrest. Studies suggest that prosperous economies often experience less social unrest, as economic development leads to improved living standards and increased public satisfaction (Jadoon et al., 2021). However, this is not always guaranteed. Economic inequality and governance challenges can counteract these benefits, creating unrest even in growing economies. In Bangladesh, significant economic growth rates over the past decade have contributed to a decline in poverty levels and an improvement in overall quality of life (Islam, 2019). However, as a policy-level expert observes,

"Recent improvements in economic performance have raised incomes and living standards, reducing some social unrest and creating a sense of optimism. People in urban areas often feel these benefits more strongly, enjoying better infrastructure, services, and job opportunities. However, rural areas sometimes lag behind, and inequality in development can lead to localized dissatisfaction. When economic growth is uneven, the sense of stability is fragile, and social tensions may still emerge. Ensuring that the benefits of growth reach all regions is essential for long-term peace and stability."

The correlation between economic growth and political stability is evident in various global contexts. For example, countries like South Korea and Singapore have experienced significant economic growth, which has translated into enhanced political stability. In these cases, the governments have been able to maintain social order and political cohesion by delivering economic prosperity to their citizens (Bozkurt, 2013). Yet, other cases, such as Brazil and South Africa, illustrate that corruption and inequality can still lead to instability despite strong GDP growth. In Bangladesh, the government's focus on diversifying the economy and expanding industrial and service sectors has played a key role in fostering stability. The rapid growth of the garment industry has provided employment opportunities to millions, reducing poverty and strengthening economic security. However, this sector alone is not enough. The government must ensure policies that enhance agricultural productivity and support rural enterprises to create balanced and inclusive growth.

Moreover, the role of education and human capital development cannot be understated in this context. Investment in education and skills training enhances the workforce's productivity, contributing to economic growth and, subsequently, political stability (Misztal et al., 2021). In Bangladesh, initiatives such as the National Skills Development Policy and increased investments in vocational training programs have played a crucial role in equipping citizens with skills that improve employability and contribute to overall economic security. Ensuring that economic growth leads to lasting political stability requires comprehensive policies that focus not just on growth but on equitable distribution, strong governance, and long-term sustainability. Without these measures, growth may provide temporary relief but will not prevent long-term instability.

4. Stability Without Growth: A Fragile Illusion

While the relationship between political stability and economic growth is compelling, it is essential to acknowledge that some regimes maintain political stability without fostering economic growth. For instance, countries like North Korea exemplify how political stability can be maintained through strict governmental control, yet they experience stagnation and economic hardship (Shen et al., 2018). This model of enforced stability raises critical questions about its long-term sustainability. Without economic opportunities, social discontent often simmers beneath the surface, eventually manifesting in political upheaval.

In the context of Bangladesh, it is crucial to recognize that political stability achieved through authoritarian means may not lead to sustainable economic growth. While Bangladesh has experienced periods of political calm, these have not always translated into meaningful economic reforms or widespread development. The reliance on control rather than economic opportunity can stifle innovation and entrepreneurship, ultimately hindering long-term progress (Guo et al., 2014). Insights from a policy-level professional indicate that,

> *"Even if the political situation appears calm, lack of sufficient jobs and income opportunities can create frustration among the population. Young people, in particular, may feel disillusioned if economic progress does not translate into tangible improvements in their lives. Temporary political calm may be maintained through enforcement or short-term measures, but without sustained economic opportunities, it cannot be sustained. Long-term stability requires that citizens experience real improvements in employment, income, and quality of life. Otherwise, political calm may be superficial and prone to sudden unrest."*

Venezuela serves as a cautionary tale of a government prioritizing political control over economic growth. Despite maintaining a semblance of stability through authoritarian measures, Venezuela's economy collapsed due to poor governance, leading to widespread social unrest and political turmoil (Kharbachi et al., 2021). This example highlights the risks of ignoring economic progress in favor of short-term political stability. For Bangladesh, the lesson is clear, true stability cannot be maintained indefinitely without economic growth. Sustainable development, inclusive policies, and investment in key sectors must complement political stability to prevent stagnation and long-term instability.

5. The Cost of Ignoring Political Instability in Economic Policy

Political instability is a significant factor influencing economic policy and growth across various countries. It manifests in different forms, including executive instability, social unrest, and political violence, which collectively create an environment of uncertainty detrimental to economic performance. Failing to account for political instability in economic policy can lead to economic volatility, reduced investment confidence, and slower long-term development. In Nepal, political instability has been linked to reduced economic growth, primarily due to the uncertainty it generates, which hampers private investment and disrupts the implementation of effective economic policies (Mandal, 2022). Similarly, in Pakistan, political instability has been shown to adversely affect economic growth by increasing uncertainty, leading to reduced demand for production factors and inefficient expenditure patterns (Mustafa et al., 2017; Nawaz et al., 2021). Frequent government changes and inconsistent policy direction in these nations create an unpredictable economic climate, discouraging both domestic and foreign investment (Rashid, 2024). The broader South Asian context reflects this issue. Studies indicate that in nations like Bangladesh, political instability leads to inefficient budget allocations and delays in infrastructure projects, slowing economic momentum (Rathnayake, 2022). While some periods of political instability in Bangladesh have coincided with short-term economic shifts, long-term instability tends to negatively impact crucial sectors like exports, employment, and public investment (Islam & Islam, 2021). Infrastructure development and business expansion often suffer in unstable political environments, increasing the cost of doing business and reducing investor confidence.

Egypt's experience following the Arab Spring serves as a powerful illustration of how political unrest can cripple economic sectors. Following mass protests and leadership shifts, Egypt saw a sharp decline in foreign direct investment and tourism, two critical components of its economy (Abdelhameed & Rashdan, 2021). This demonstrates how prolonged instability can severely impact economic recovery, making it imperative for countries like Bangladesh to prioritize stability in policymaking. For Bangladesh, addressing political instability must be integrated into long-term economic policy frameworks. Without structural reforms, governance improvements, and transparent policymaking, the risks of economic slowdown due to instability will remain high. Ignoring these realities can undermine the economic progress achieved over the past decade, making stability an essential pillar of future development strategies.

6. Conclusion

Bangladesh's impressive economic growth over the past two decades risks being undermined by persistent political instability, corruption, and weak governance. While the country has achieved remarkable progress, long-term prosperity cannot be sustained without a stable political environment that fosters investor confidence and ensures policy consistency. Political stability is not merely a facilitator of economic growth it is a fundamental pillar upon which sustainable development rests.

Periods of unrest in Bangladesh have repeatedly demonstrated how instability hampers foreign direct investment (FDI) and disrupts development. To secure its economic future, the country must go beyond short-term economic strategies and implement governance reforms that enhance transparency, reduce corruption, and build institutional resilience. Moving forward, Bangladesh must take decisive steps to strengthen institutions, enforce anti-corruption policies, and ensure greater political accountability. Additionally, inclusive growth strategies that address socio-economic disparities and regional inequalities will be crucial for long-term stability. Investment in education, infrastructure, and digital transformation must be prioritized to equip the workforce with skills necessary for an evolving economy, ensuring broad-based development that benefits all segments of society. By integrating political stability with robust economic reforms, Bangladesh can position itself as a model of resilience and progress in South Asia. A forward-thinking, stable governance structure will not only attract investment but also secure lasting prosperity for future generations. The path to sustainable development is clear, political stability must no longer be treated as an afterthought but as an essential foundation for economic growth.

Generative AI Use Declaration

In this work, AI-assisted language refinement was applied to improve grammatical accuracy, sentence structure, and overall readability without altering the originality of the content or the integrity of the research findings. The AI tools were not used to generate original research content, data analysis, or conceptual contributions. All intellectual input, interpretations, and conclusions remain the sole responsibility of the authors.

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