

Kazi Said

**THE IMPACT OF POLITICAL UPHEAVALS ON INTERNATIONAL
BUSINESS**

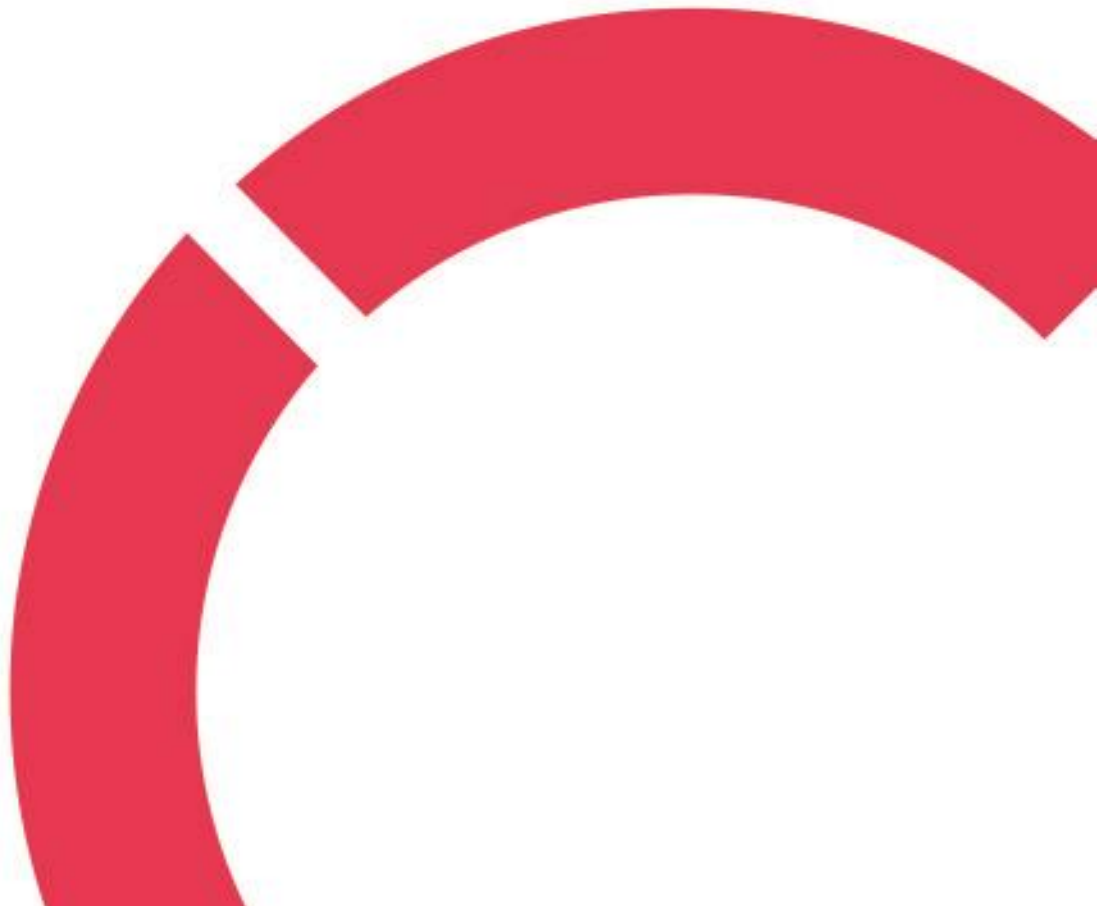
Case Bangladesh

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ABSTRACT

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<p>This thesis explored the impact of Bangladeshi political upheavals on international business. The objective of this research was to investigate how these political upheavals affect the country's international business environment, including foreign investment, trade relations, and economic growth. The study adopted a qualitative analysis. Qualitative methods include interviews with key stakeholders (entrepreneurs and supply chain professionals). Findings from the research reveal that political upheavals in Bangladesh have substantial implications for international business. Uncertainty arising from political instability negatively impacts investor confidence, leading to decreased foreign direct investment inflows.</p> <p>Trade relations may also suffer, as frequent changes in government policies and regulations disrupt business operations and create barriers to trade. Economic growth, too, is often hindered due to political uncertainties, limiting the country's potential as a lucrative investment destination. The thesis concluded by proposing several ideas to mitigate the adverse effects of political upheavals on international business in Bangladesh. These include establishing transparent and stable governance structures, implementing investor-friendly policies, enhancing political stability through effective democratic practices, and fostering strong international partnerships. This research contributes to the existing literature by shedding light on the intricate relationship between political upheavals and international business in Bangladesh. It offers insights for policymakers, business leaders, and investors to navigate the challenges posed by political instability and maximize opportunities in this dynamic business environment.</p>		

<p>Key words Business environment, challenges, decline in investment, political unrest, trade theories</p>

ABSTRACT
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1. INTRODUCTION

International business involves the transfer of capital, goods, and services across international borders or regions. It encompasses all business dealings, whether they are conducted by private entities or governments that occur between two or more countries (Jayachandran 2023). Upheaval refers to the geological movement where the earth's crust is lifted, often accompanied by a shift in power dynamics or ideological changes (Vocabulary.com 2023). Thus, when there is a sudden shift in political power dynamics political upheavals occur. On the other hand, the parties involved in political upheavals, including the public, military, foreign countries, and others, decide what will be the political situation in Bangladesh. These decisions mirror their political objectives and intentions. They specifically decide whether to refer to the situation as a "revolution" or "coup" (or other comparable phrases) say Kaori Kushima, Taku Yukawa, Kaoru Hidaka & Masanori Kubota (2023).

Political upheavals in any country can have far-reaching consequences, not only for its citizens but also for the global community, particularly in the realm of international business. Bangladesh, a nation with a rich cultural heritage and a growing economy, has experienced its fair share of political turbulence in recent years. These upheavals, marked by demonstrations, political assassinations, and regime changes, have not only shaped the nation's domestic landscape but have also sent ripples throughout the international business community (Basher 2015).

Protests have swept across Bangladesh in response to the austerity measures enacted by the ruling Awami League (AL) government. These measures include reductions in fuel imports, intentional power outages, and an increase in fuel prices, all aimed at bolstering revenue. The political opposition, under the leadership of the Bangladesh Nationalist Party (BNP), has seized this opportunity to rejuvenate its political prospects. Since October, the BNP has organized massive demonstrations across the country, drawing thousands of participants calling for the resignation of prime minister Hasina to step down so that a neutral government can run the future election. Given her more than 14-year tenure in power, it is improbable that Hasina will step down prior to the 2024 elections. Nevertheless, her once-unchallenged hold on power has been significantly weakened. (Bhatnagar 2023.)

1.1 Research purpose

The goal of this thesis is to find a link between how politics work in Bangladesh and how they affect business between countries. The motive is to understand how political changes in a country like Bangladesh affect its economy and attractiveness for foreign investors.

In this thesis the context of political upheavals in Bangladesh, and the importance of studying their impact on international business's environment and growth through this, I hope to contribute valuable insights to entrepreneurs of politics and international business in the context of Bangladesh.

1.2 Limitations of the study

It is important to recognize the limitations of this study, despite the fact that it attempts to explore the complex relationship between political upheavals and their effects on international commerce. These constraints affect the depth and breadth of the research findings. Availability and access to comprehensive and updated data pose a significant challenge. Some pertinent information may be missed or overlooked due to limited access or restricted data sources. The research is conducted within a defined timeframe. This may have restricted the extent of data collection, analysis, and the ability to capture the long-term effects of political upheaval. The global economic landscape and geopolitical dynamics continuously evolve. Changes in these external factors beyond the study's control could influence the study's relevance over times on international business. The study is relied on qualitative assessments and interviews. While this provided valuable insights, it might not encompass the entire spectrum of quantitative data that could further validate the findings.

2 LITERATURE REVIEW

This chapter will discuss the related definitions and theories of international business, and how they are affected by the political upheavals.

2.1 Brief introduction to international business theories

Engaging in manufacturing or trade activities beyond the borders of one's own nation is commonly referred to as international business. This field, also known as external business, encompasses not only the global exchange of products and services but also the cross-border movement of capital, individuals, technology, and intellectual assets such as patents, trademarks, and copyrights. It extends well beyond the mere import and export of goods and encompasses an array of service, among them are foreign travel and tourism, shipping, banking, communication, advertising, and warehousing's. (NCERT 2023.)

Since the beginning of the 20th century, academics have been studying international business, mostly looking at trade and the ties between businesses. Within the last 30 years has the study of exports, foreign direct investment, technology transfer, and the management of transnational companies (TNCs) become seen as a good area for academic study. The emergence of new fields, the study of international business has been marked by intermittent progress, with many attempts to build a sound theoretical foundation and agree on research directions that everyone can collaborate on. (Grosse & Behrman 1992.)

A theory concerning international business should provide insights into how government concerns related to the activities of transnational corporations (TNCs) are defined, negotiated, the compromises made, the resolution of differences, the adaptations over time, and the reasons behind these processes. A theory that is uniquely suited for the international context should elucidate the trade patterns, gains from international trade, methods of organization employed, various types of contractual relationships, as well as strategies and operations in global production. It should also encompass how all of these aspects are influenced by governmental interventions, whether on a unilateral or multilateral basis, leading to the establishment of multiple sets of rules governing international business. Fundamentally, this theory should clarify the varying barriers and incentives posed by sovereign governments to foreign

businesses, aiming to reshape the distribution of benefits, and the resulting impact of these policies on the decisions and operations of TNCs. Additionally, it must center on how the actions of TNCs influence government policies. (Grosse & Behrman 1992.)

In order to gain a deeper insight into the evolution of contemporary global trade, it's crucial to examine the historical patterns of international trade between nations. Economists have, over time, devised theories to elucidate the underlying mechanisms of global trade. The early theories, referred to as classical theories, primarily viewed trade from the perspective of individual countries, hence being termed "country-based." However, as we progressed into the mid-twentieth century, there was a notable shift in these theories towards explaining trade from the vantage point of firms or companies, giving rise to what are now termed modern theories, categorized as "firm-based" or "company-based." Both of these classifications, classical and modern, encompass various international trade theories. (Saylor Academy 2012.)

2.2 Political upheavals and international business

Political risk refers to the potential jeopardy your business might face due to instability or alterations in a country's political landscape. These alterations encompass conflicts, political unrest, shifts in government or regime, changes in international relations or policies between nations, as well as modifications in a country's business laws, policies, or investment regulations.

Pierre Lamourelle (2021), Deputy Global Head of Specialty Credit at Allianz Trade for Multinationals, with a quarter-century background in evaluating and managing political risk, emphasizes the inherent unpredictability of this risk. He highlights that unlike several other insurance categories, relying solely on historical data doesn't always suffice to forecast such risks. Lamourelle (2021) notes that in the 25 years since he entered the industry, there's been a significant evolution towards a more interconnected global landscape. This increased connectivity has positive aspects, streamlining international business operations. Nowadays, almost everyone has the ability to interact with emerging markets and complete deals or transactions in foreign countries.

However, on the flip side, this interconnectedness implies that when a problem arises in one corner of the world, its repercussions can be felt halfway across the globe. This impact can be direct, particularly if you are directly involved with the affected country, or indirect due to the complexities of your di-

verified supply chain. Consider the incident when the 20,000-ton container vessel "Ever Given" became stuck in the Suez Canal in March 2021, resulting in a week-long disruption of international trade.

When your own government imposes a ban on sending personnel to the country where your contract is being executed. One might have to stop executing on the deal, which would cost more money and mean they couldn't keep billing and getting paid by users in that country. This ban would mean that the contractor would lose money. (Lamourelle 2021.)

Let's contemplate a change in law or regulation that selectively targets foreign companies. It's possible that this could be seen as a form of soft discrimination, and it could be linked to political danger. So, this is only valid if there has actually been discriminatory treatment. Any governmental decision that affects all businesses within a nation is beyond the scope of a political risk insurance policy. These are risks that confront every business owner in their operations. "In such situations, effective political risk management becomes indispensable. It enables a comprehensive evaluation of the risks and the formulation of strategies to safeguard your company's interests. (Allianz Trade 2021.)

2.2.1 Examining the connections between political upheavals and global business

An increase in social turmoil carries the potential to jeopardize the ongoing global economic recuperation, given its potential to create enduring consequences for economic performance. In a recent report, IMF researchers demonstrated that such unrest can exert an adverse economic influence, unsettling consumers due to heightened uncertainty and leading to productivity losses in manufacturing and services. Consequently, approximately 18 months following the occurrence of the most severe unrest incidents, the gross domestic product tends to be around 1 percentage point lower than it would have been in the absence of such events. (Barrett 2022.) Political system volatility is a prevalent phenomenon observed in every nation worldwide. It is generally characterized as the probability of a government's potential downfall due to disputes or heightened competition among various political factions. (The Business Standard 2023)

Greater political stability in a country corresponds to more substantial economic growth. In an analysis encompassing panel data from 98 nations, investigates the connection between political unrest and economic expansion. The results of this study indicate that political instability significantly hinders the economic growth of these countries. (Barro 1989.)

Considering the interdependence of political stability and economic growth, two possible scenarios emerge. First, the unpredictability of the political environment can decelerate economic growth and deter both domestic and foreign investments. Second, a weakened economy can lead to political instability and the potential overthrow of a government. (The Business Standard 2023.)

2.2.2 Historical examples of political events influencing international business

Why should corporations take an interest in the diverse political and legal frameworks worldwide? Firstly, even amid the global expansion of business, companies are obligated to adhere to the specific laws and regulations of the countries they engage with. For instance, Google, headquartered in the United States, had to navigate the Chinese government's limitations on freedom of expression to conduct operations in China. The distinct political and legal standards in China compelled Google to opt for discontinuing its mainland Chinese website and redirecting mainland Chinese users to a Hong Kong-based version.

In democratic settings, businesses typically recognize that most regulations remain intact despite changes in government. Any modifications often mirror shifts in the economic landscape, such as the global economic downturn in 2008, rather than a transformation in the political leadership.

In contrast, authoritarian regimes, where democratic processes are either absent or superficial, present a different scenario. China serves as a prominent example, characterized by a strong central government and limited individual rights. Nevertheless, over the past two decades, China has been striving to strike a new equilibrium regarding the extent of state planning and management of the national economy. While the government maintains a predominant role by controlling over a third of the economy, an increasing number of private enterprises have emerged. China has effectively melded state intervention with private investment, fostering a robust, market-oriented economy, all within the framework of a communist-style government. This framework is commonly referred to as a socialist market economy with Chinese characteristics. While it might appear simple to assume that businesses prefer operating exclusively in democratic, capitalist nations with minimal government involvement, historical evidence contradicts this notion. In certain sectors, global corporations have deliberately engaged with countries where governmental control over the industry is substantial. For industries like commodities and oil, more authoritarian governments have often emerged as reliable, long-term partners for investment and access to these resources. This dynamic complicates international trade, as governments

throughout history have frequently stepped in to safeguard the interests of their largest corporations in global markets. The history of the oil industry serves as a case in point, with various governments occasionally employing political force to secure their national companies' access to oil. In contemporary times, the Chinese government has adopted a strategy combining government loans and investments in Africa to secure access for Chinese enterprises to local resources and commodities. Many business analysts incorporate these considerations into discussions on global business ethics and the role and responsibilities of companies in diverse political contexts. (Saylor Academy 2012.)

2.3 Impact on market entry and expansion theories

Companies face a critical decision when embarking on international expansion to enhance their growth and competitiveness: the selection of an entry strategy. This decision-making process and the subsequent execution of the chosen strategy can significantly influence the success or failure of their international endeavours. One option entails full integration, wherein a company establishes a subsidiary in a foreign market. Alternatively, a company may opt for a strategy involving the engagement of independent distributors while retaining responsibility for client acquisition. The degree of risk, control, and collaboration varies at each level of integration. Consequently, businesses must carefully assess the balance between flexibility and control when making integration decisions (Dawei 2008.)

In the context of Peru, there is a noticeable dearth of information regarding entry strategies. Exporters frequently rely on empirical decision-making processes, lack systematized experiences, and exhibit a pronounced deficiency in the sharing of knowledge and best practices within the sector. Investigating international market entry strategies, particularly when applied to the experiences of Peruvian exporters, contributes to advancing our understanding of this field. This knowledge enhancement aids in making more informed decisions when selecting the optimal strategy for a company within a specific context. (Gutiérrez & Machuca 2017.)

2.3.1 How political instability affects market entry strategies

Bureaucratic hindrances like border tariffs and trade embargoes to disruptions in transportation networks that pose threats to supply chains, and property losses that necessitate the suspension of trade or

production. A prime example of this is the dispute between Qatar and other Gulf States that commenced in 2017. The suspension of land, sea, and air links with Qatar had immediate repercussions for both businesses and individuals. Shipping expenses surged significantly when the UAE restricted access to its ports for vessels carrying goods to Qatar, and professionals offering services from overseas also faced substantial disruptions. (Dearin 2021.)

It is the government that formulates the regulations and protocols governing day-to-day life within a political and legal framework. Business activities are an integral component of this daily life; hence, they cannot operate in isolation from the prevailing political and legal system (Rahman, Uddin & Lodorfos 2017).

2.3.2 Multinational corporation market entry expansion

Multinational companies (MNCs) often enter and grow abroad to access local markets and factor markets. Horizontal affiliates perform similar tasks in local markets as the parent company, while vertical affiliates invest in local factors to sell local goods. MNCs do this to take advantage of economies of scale and access local markets and suppliers. They may also set up branches to mitigate risks from political unrest or changes in the economy. New theories suggest that MNCs must spend to reach new customers or factors, dealing with arm's-length contracts and managing activities across borders. Industries that require significant cash or research and development are more likely to integrate vertically (Tomas & Bernard 2019).

2.4 Trade theories and political upheavals

Since the early 1980s, the economic performance of individual nations has increasingly hinged on global dynamics. The international community has advocated for neoliberal policies, including the promotion of free trade, in both mature and developing economies. This perspective has primarily been driven by the belief that open markets serve as the primary driver of economic growth and progress. Consequently, institutions such as the World Trade Organization (WTO), the International Monetary Fund (IMF), and the World Bank (WB), along with mainstream economic theory, have portrayed the state as a source of inefficiencies and market distortions that impede economic freedom and profitable

entrepreneurship. This thesis scrutinizes historical evidence across theory, policy, and practical application to assess whether the reduced role of the state is genuinely justified. (Saif 2019.)

2.5 Major changes in response to political instability

Political instability can have a significant impact on a country's trade policy. Trade policies are often influenced by the government's priorities and objectives, and when political instability occurs, it can lead to changes in these policies. Here are some ways in which political instability can affect trade policy.

In the study conducted by Galiani, Schofield, and Torrens in 2014, they integrate a factor-specific economic model with a probabilistic voting framework to examine differences in trade policy between nations and fluctuations in trade policy within individual countries. Their findings reveal that certain economic conditions, such as economies rich in natural resources that also possess a significant domestic industry in competition with imported goods, tend to foster greater discrepancies in political stances regarding trade policy. Additionally, these conditions tend to give rise to relatively more protectionist policy positions. (Daun, Galiani & Torrens 2021.)

Trade accords represent formal agreements between two or more nations or geo-graphic areas, outlining the conditions governing international commerce, encompassing elements such as tariffs, quotas, and quality standards. These accords have the potential to deliver substantial advantages to enterprises, including expanded market entry, reduced expenses, and heightened competitive advantages. Nevertheless, they also introduce certain difficulties and vulnerabilities, notably when engaging with emerging economies. Emerging economies refer to nations or geographic regions characterized by significant growth potential, yet they simultaneously grapple with political, economic, and social instability.

An escalation in political instability or increased risk in the Zimbabwean economy led to a 2.79% surge in the desire for foreign exchange (forex). Essentially, as political uncertainties within the nation intensify, so does the risk associate with investment returns. Consequently, both citizens and investors opt for more stable foreign currencies as a means to safeguard and hedge their wealth against noticeable disruptions. This heightened demand for forex aligns closely with the findings of the World Bank in 2015, which cited a decline in the country's economic growth partially due to shortages of foreign currency. Furthermore, these results are consistent with the 2018 report by Price Waterhouse

Coopers, which highlighted that the escalating economic crisis and political risk in Zimbabwe's economy have resulted in an increased demand for and utilization of foreign currency within the country. (Benedict, Mafika, Tutu and Selase 2022.)

2.6 Multinational corporations (MNCs) and political risk

When an organization opts to engage in international financial activities, it opens itself up to a set of additional prospects and risks. The primary challenges linked to businesses involved in international finance encompass foreign exchange risk and political risk.

These hurdles can, at times, create difficulties in maintaining a consistent and dependable revenue stream. Foreign exchange risk materializes when the value of an investment undergoes fluctuations due to alterations in currency exchange rates. This risk is also commonly referred to as FX risk, currency risk, or exchange-rate risk. When a domestic currency appreciates in value relative to a foreign currency, the profits or returns earned in the foreign country diminish when converted back into the domestic currency. Given the somewhat unpredictable nature of exchange rates, mitigating this form of risk can be quite challenging, and it has the potential to adversely affect sales and revenues.

Geopolitical risk, often referred to as political risk, arises when a foreign government unexpectedly modifies its policies in a manner detrimental to foreign businesses. These policy changes can encompass various measures, such as the imposition of trade barriers that restrict or impede international trade. (Beers 2023.)

2.6.1 The role of MNCs in international business

A multinational corporation (MNC) refers to a firm that conducts business activities in at least one foreign country in addition to its country of origin. In certain definitions, it is further characterized by generating a minimum of 25% of its total revenue from operations outside of its home country.

Typically, a multinational entity maintains a presence in various nations worldwide, including offices, factories, or other operational facilities. These are complemented by a central headquarters that over-

sees global management activities. These global corporate entities can also be identified as international, stateless, or transnational organizations or enterprises. In some instances, their financial resources may even surpass the budgets of smaller nations. Multinational corporations face a range of risks associated with the diverse countries and regions where they conduct business. These risks encompass regulatory or legal challenges, political volatility, instances of crime and violence, cultural nuances, and fluctuations in foreign exchange rates. (Chen 2023.)

2.6.2 What are MNCs' strategies in politically unstable regions?

Political risk, in the context of multinational corporations, pertains to the possibility that a host country may enact political decisions that ultimately have detrimental impacts on corporate profits or objectives. These adverse political actions can vary significantly, ranging from extensive upheaval resulting from revolutions to financial changes like the implementation of new laws restricting capital movement. Broadly speaking, political risk can be categorized into two main types: macro risk and micro risk. Macro risk encompasses adverse actions that affect all foreign firms, such as expropriation or insurrection, while micro risk involves adverse actions that specifically target a particular industry sector or foreign businesses, such as instances of corruption and discriminatory measures against foreign companies.

Irrespective of the nature of the political risk faced by a multinational corporation, unpreparedness for these adverse scenarios often results in substantial financial losses. For instance, following Fidel Castro's takeover of Cuba in 1959, American-owned assets and businesses worth hundreds of millions of dollars were expropriated. Unfortunately, the majority, if not all, of these American companies had no recourse for recovering any of their lost funds. How can multinational corporations mitigate political risk? There are a couple of proactive steps that can be taken even before committing to an investment. (Andoh 2007.)

While this strategy may prove effective for certain companies, there are instances where the potential rewards of entering a higher-risk country are so substantial that they warrant a calculated risk. In such cases, companies may engage in negotiations with the host country to establish compensation terms, thereby creating a legal foundation for seeking recourse in the event of disruptions to their operations. However, this solution is not without its challenges. The legal system in the host country may significantly differ from that of the company's home country, and in some locations, foreigners may rarely

prevail in legal disputes against the host country. Furthermore, the occurrence of a revolution could result in a new government that does not honour the actions of its predecessor, further complicating matters. (Phung 2021.)

3 RESEARCH METHODOLOGY

This chapter outlines the research methodology employed to investigate "The Impact of Political Upheavals on International Business – Bangladesh." The chosen methodology is crucial in ensuring the validity and reliability of the findings, allowing for a comprehensive understanding of the complex interplay between political upheavals and international business in the context of Bangladesh. This design is a qualitative approach, offering a comprehensive description of the impact of political upheavals on international business. Semi-structured interviews are conducted with top executives and industry experts. I interviewed Mr Abdullah Al Jobayer AGM and head of regional business, IDLC Securities Limited and Mr Md. Mohiuddin Shopon, Director of Multitex Knit Composite Limited, a 100% export-oriented knitting, dyeing and garments composite unit. These interviews and data aim to gather in-depth insights into the experiences, challenges, and strategies employed by businesses during political upheavals. The chosen research methodology is qualitative approach, providing an analysis of the impact of political upheavals on international business in Bangladesh. The findings from this study aim to contribute valuable insights to international business in Bangladesh.

3.1 Data and descriptive statistics

In all the figures, you can see that the data are from 2014, that is because political upheavals started from 2014 after election. The first figure shows the rate of political stability from the year 2014 to 2021. Although it can be seen that the political stability has always been on the negative side, it improved during the year of 2020 again started to deteriorate during 2022. The second figure shows the rate of trade openness on the given years, which has evidently declined throughout the time. The stock price volatility is depicted in the same manner in the third figure, and it can be seen that it has taken a hike as well.

Based on the information gained during this study, the reasons behind this is because the government have implemented policies that restricted trade or increased protectionism. During the interview sessions my interviewees expressed changes in trade agreements, tariffs, or other trade-related measures can impact trade openness. Political stability does not always guarantee positive economic outcomes. The ruling party of Bangladesh has been the governing party for several years. In such scenario other factors, such as fiscal policies, monetary policies, and global relationships could have influenced trade

openness and stock price volatility. In case of Bangladesh, certain steps such as imposing militia in roads have stopped strikes and other visible political instability, however, uncertainty about regulatory environments have led to a decrease in trade openness and an increase in stock price volatility of the nation. Lastly, as the ruling party has been elected repetitively for three terms, diplomatic tensions have built encircling it. Hence, there has been an adverse effect on trade openness and stock price volatility.

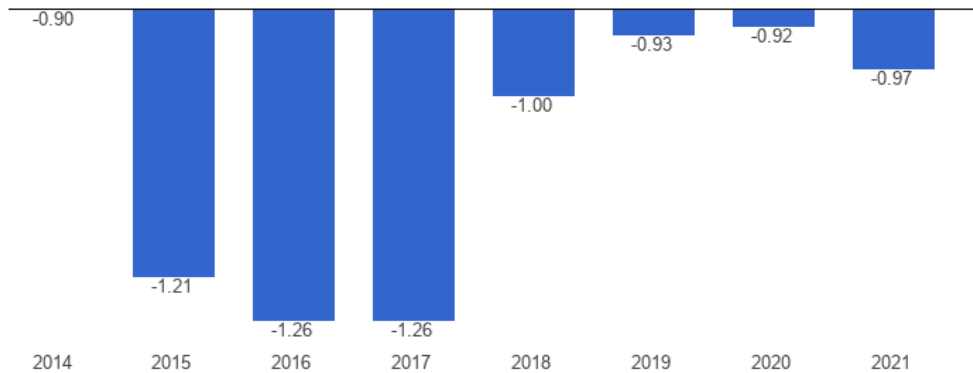


FIGURE 1. Bangladesh Political Stability, Adapted from TheGlobalEconomy.com 2021

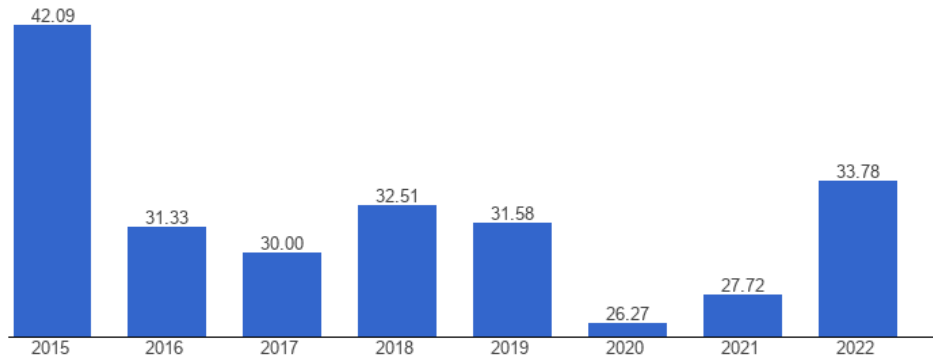


FIGURE 2. Bangladesh Trade Openness, Adapted from TheGlobalEconomy.com 2021

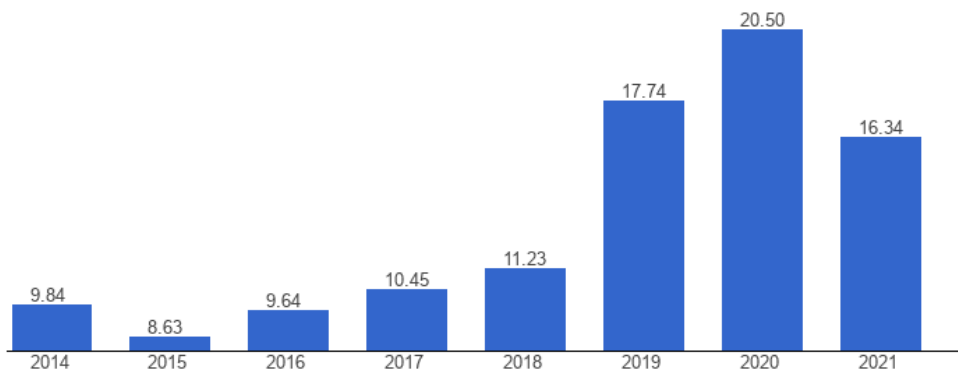


FIGURE 3. Bangladesh Stock Price Volatility, Adapted from TheGlobalEconomy.com 2021

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3.2 Empirical study

This chapter delves into the intricate dynamics between political upheavals and their influence on international business within Bangladesh. Employing a combination of interviews and extensive reading, I aimed to comprehensively examine the correlation between political disruptions and their ramifications on the country's international business landscape.

3.2.1 Data collection

In-depth interviews with stakeholders provide deeper insights into how political upheavals influence decision making and strategic planning. During conducting the interviews, I asked Mr Abdullah Al

Jobayar that what disruptions his company has experienced due to the political upheavals. He has focused on declining demand of buyers. He stated that even back in 2020 his garments produced in full capacity which is 110,000 pieces per day, now a days they are only utilizing 60% of their capacity. He shared this detail to explain the magnitude of declining buyers' demand. To the same question Mr Md. Mohiuddin Shopon said that the recent political events have increased the dollar price, and as their business relies on imported goods they are being unable to complete projects with keeping any profit margin. He also mentioned foreign suppliers are being rigid about payment terms and policies as the news of declining foreign currency reserve is not hidden from the world. The interviewees implied that the political events are affecting the business environment in an extremely negative way.

It was asked Mr Shopon what aspect of the political upheavals did particularly affect the business environment, he said that the frequency of political unrest has made Bangladesh very unattractive for investors. According to Ms Shafina, the political violence such as unlawful arrests have ruined the country's image in the global map. As a result, suppliers do not trust Bangladesh much. Similarly 'How frequently have political upheavals occurred in Bangladesh during the past five years?' Mr Abdullah Al Jobayar answered very frequently and Mr Zakaria Kader answered frequently. Thus, frequency of political upheavals has been very high in the past 5 years and it has affected the global image and international business environment of Bangladesh.

3.2.2 Analytical tools

The analyse of the data that I collected which helped me to prepare a SWOT analysis. This will highlight the grounds of strengths and weaknesses of the business environment of Bangladesh and discover the opportunities and threats.

3.2.3 Conclusion

This chapter's empirical tests aimed to provide an understanding of how political upheavals impact international business in Bangladesh. These methods help us assess challenges, opportunities, and strategies for businesses navigating political instability globally.

4 FINDINGS AND ANALYSIS

The findings of this thesis provide valuable insights into the link between political unrest in Bangladesh and its impact on global trade. This connection sheds light on the interdependence of political stability and economic growth, highlighting the need for effective governance to attract foreign investments.

4.1 Findings

Bangladesh has a history of political turmoil, often leading to street protests, shutdowns, violence, and casualties due to parties advocating for their demands. However, in recent times, the country has witnessed an increasing political gap and escalating resentment. This rift has intensified as the ruling Awami League nears the completion of its second decade in power, aiming for a fourth consecutive five-year term. (Ethirajan 2023). I have highlighted some of the recent political instability of Bangladesh.

4.1.1 Series of countrywide obstructions

BNP and its allies are pushing for the reinstatement of a caretaker government to supervise fair national elections, citing concerns about the fairness of elections under Hasina's leadership. The last two general elections, held in 2014 and 2018, were tainted by opposition boycotts and allegations of significant vote manipulation. Attempts by BNP to restore the caretaker system have been met with police crackdowns and numerous legal battles. Now, in anticipation of upcoming national elections, they've announced a series of countrywide disruptions since early November. This escalating political standoff is raising serious worries for the South Asian economy, already strained by the global impacts of COVID-19 and the conflict in Ukraine. Recent data from the Export Promotion Bureau shows a 13.64 percent decline in export earnings, primarily from the ready-made garments industry, reaching the lowest level in 26 months. Presently, the blockades are leading to a daily economic loss of 65 billion takas (\$588 million) for Bangladesh, reported by the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), the nation's top trade association. (Mahmud 2023.)

4.1.2 Unlawful killings and disappearances

Photojournalist Shafiqul Islam Kajol was kidnapped in March 2020 in Dhaka by an unnamed organization. His family didn't know where he was for 53 days until he was found hundreds of kilometers distant, tied up, and blindfolded, close to the Indian border. He was then imprisoned for seven months on charges stemming from the Digital Security Act (DSA) for allegedly disseminating false, offensive, and defamatory material on Facebook against politicians affiliated with the ruling Awami League party. In the end, Mr. Kajol received bail in late December. Allegations of enforced disappearances, extrajudicial executions, and the incarceration of several opponents and dissidents have marred the Awami League's twelve-year rule. According to the Dhaka-based rights organization Odhikar, there have been 587 documented cases of enforced disappearances since 2009, with 81 individuals found dead and 149 still missing. (Ethirajan 2021.)

The BNP states that a lot of its followers have been killed or stolen from by law enforcement agencies, some of which are US-sanctioned. The Bangladeshi government denies these accusations of abuse and killings, yet it tightly limits visits from foreign journalists aiming to investigate these claims. (Ethirajan 2023.)

4.1.3 Low foreign currency reserve

Reduced foreign currency reserves and heightened inflation pushed Hasina's government to seek a \$4.7 billion loan from the IMF earlier this year. Despite ongoing reforms, achieving stability in the economy remains challenging. The ongoing street crisis poses a significant risk to the country's prospects. M. Humayun Kabir, president of the Bangladesh Enterprise Institute, highlighted the high stakes, warning that prolonged deadlock could further disrupt global connections in business, exports, remittances, and other economic activities.

During the July-September quarter, Bangladesh saw its balance-of-payments deficit rise to \$2.8 billion, and the current-account deficit increased to \$3.93 billion. Foreign currency reserves have hit a new low at \$20.66 billion, based on the latest data from the central bank following the IMF's criteria. (Islam 2023.)

4.1.4 Declining democratic practices

The December 2008 election marked a significant turnout (87%) and was considered a fair vote, earning it the title of the second 'restoration of democracy' election after the troubling '1/11' incident in Bangladesh. However, the elections in 2014 and 2018 marked a decline in the country's democratic practices. The January 2014 general election was notably flawed, with main opposition parties boycotting it, resulting in an overwhelming victory for the ruling Awami League (AL). The media estimated voter turnout to range between 5% and 35%, despite the government's claim of a 40% turnout. The 2018 election was marred by allegations of vote rigging and irregularities, prompting further boycotts by main opposition parties, who accused government agencies, police, and election commission officials of facilitating rigging. The election night incidents led to an undemocratic system, with some voting centers reporting over 100% turnout, indicating irregularities. This decline in electoral participation is a concern for democratic governance, reflecting a lack of confidence in Bangladesh's election system among the people, despite their interest in democracy. (Islam 2020.)

4.1.5 Opposition party's activists are being arrested

In her 15 years in charge, Hasina has achieved remarkable growth, yet she faces accusations of governing with strong control in the South Asian nation. The United States has sanctioned senior police officials for widespread human rights abuses. Over 100,000 opposition supporters gathered for the major rally of 28th October in central Dhaka, resulting in clashes where a policeman lost his life. Subsequently, the police initiated a broad crackdown on the BNP, detaining thousands of activists and accusing at least 162 top leaders of involvement in the officer's murder. (WION 2023.)

4.2 Analysis

As a part of this thesis, I conducted a SWOT analysis to comprehensively evaluate the factors impacting the business environment. The goal of this analysis is to provide an in-depth picture of international business in Bangladesh based on political situations.

Strengths of historical turnout and fair elections Bangladesh has a history of high voter turnout and fair elections, highlighted by the 2008 election, which achieved an 87% turnout and was considered a restoration of democracy. Despite challenges, economic potential the nation has shown remarkable growth and potential, evidenced by past economic achievements and a growing economy before recent crises.

Weaknesses of ongoing political unrest, highlighted by allegations of election manipulation, crackdowns on opposition, and accusations of human rights abuses, have created an unstable political environment. The instability of economic declining foreign currency reserves, increasing inflation, and a widening balance-of-payments deficit have raised concerns about the country's economic stability.

A more stable and inclusive political system may result from opportunities for reformation and democratic development, such as correcting voting irregularities and restoring faith in the democratic process. Implementing effective economic policies and reforms can stabilize the economy and attract foreign investments, potentially mitigating the current economic challenges.

The threats of continued political unrest are persistent tensions, accusations, and crackdowns that could escalate, leading to further disruptions, economic losses, and social unrest. The allegations of human rights abuses and political turmoil may harm Bangladesh's global reputation and affect foreign relations and investments, potentially isolating the country economically and diplomatically.

5 CONCLUSION

The recent political landscape in Bangladesh is marked by a historical backdrop of political turmoil, and the current scenario reflects a heightened political divide and escalating tensions as the ruling Awami League seeks a prolonged stay in power. The findings highlight several key challenges, ranging from disruptions caused by countrywide blockades and allegations of unlawful activities, to economic vulnerabilities, and a decline in democratic practices.

The growing political gap and resentment pose significant threats to the stability of Bangladesh. The series of blockades, allegations of human rights abuses, and political confrontations indicate a deepening divide that needs urgent attention for the restoration of stability. On top of it, the low foreign currency reserves, heightened inflation, and economic downturn underscore the pressing need for effective economic policies. The ongoing street crisis poses a significant risk, and the economic repercussions are already evident in the decline in export earnings and foreign currency reserves.

The decline in democratic practices, as evident in flawed elections and allegations of rigging, raises concerns about the democratic health of the nation. The reported cases of enforced disappearances further contribute to a sense of political insecurity. The allegations of human rights abuses and political unrest is tarnishing the country's image globally and it can potentially isolate Bangladesh diplomatically and economically.

In conclusion, addressing these challenges requires a comprehensive approach that involves political reconciliation, economic reforms, and a renewed commitment to democratic principles. The coming period is crucial for Bangladesh, and concerted efforts are necessary to navigate through the current complexities and build a more stable and resilient future.

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