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West Asia Instability and Bangladesh's Energy Woes : Challenges Before the New BNP Government

Abstract: The beginning of 2026 has not been favourable for the world. On 28 February, the United States and Israel jointly launched attacks on Iranian leadership and military infrastructure under *Operation Epic Fury*. At the very outset of the conflict, Iran's Supreme Leader, Ayatollah Ali Khamenei, along with members of his family, was killed in a missile strike. In response, Iran retaliated strongly, targeting several U.S. bases across West Asia. As expected, the outbreak of this conflict sent shockwaves through the global energy market. Supply chains were severely disrupted, particularly through the Strait of Hormuz, leading to a near doubling of global crude oil prices. Due to these disruptions, the small South Asian nation of Bangladesh is facing a significant energy crisis, as nearly 71 percent of its energy is imported from various West Asian countries. Consequently, the newly formed government of the Bangladesh Nationalist Party (BNP), under the leadership of Tarique Rahman, is confronted with serious challenges in addressing this crisis. The situation has not only affected domestic energy consumption but has also dealt a major blow to the garment sector and other industries. This article therefore examines how the tensions in West Asia and the resulting energy crisis have impacted Bangladesh's economy and stability, and explores the measures the new government can take to address these challenges.

Introduction : The recent crisis in West Asia has disrupted global gas supplies passing through the Strait of Hormuz, leading to a severe shortage of gas in Bangladesh. The country relies heavily on imports from Oman and Qatar, which together account for nearly one-third of its gas supply. Due to the disruption, Bangladesh has been forced to purchase fuel at much higher prices from the volatile international market, resulting in a significant subsidy burden on the government. As the crisis escalated just two weeks after the formation of the new government, the administration initially struggled to fully grasp and respond to the situation. At the same time, it faced mounting pressure from both domestic consumers and industrial sectors, which began to slow down due to the energy shortage. In response, the government decided to increase reliance on coal and reduce working hours, similar to measures adopted by other countries during energy crises. Despite widespread anti-India

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sentiment following the removal of Sheikh Hasina largely due to perceptions of her close ties with India the Tarik Government did not hesitate to seek assistance from India to manage the crisis.

Keywords: US-Israel –Iran conflict- Hormuj -Energy Crisis-Bangladesh, BNP

Objective of the Study

- To examine how the US-Israel- Iran war shifted from regional to global through Hormuj disruption.
- To examine the impact of LNG crisis on small South Asian state Bangladesh.
- To analyse how the newly formed BNP government take policies to handle the situation.

Research Methodology : The understudy paper necessitates the use analytical methods. Initially we have highlighted the crisis in global perspective then in depth analysis has been made to ascertain the main argument of the paper. The paper has used both primary as well as secondary data. The primary sources include policy documents, foreign affair records and other relevant primary sources. The secondary sources which have been used in the paper constitute of Websites, papers and other relevant secondary material. In fact, the data has been used from both sources and hence an attempt has been made to come to the reasonable conclusion.

The recent conflict between Iran with Israel and United States has changes the dynamics of Middle East. Posing Iran’s nuclear programme as an unendurable threat to modern civilization United States of America with its closest ally Israel attacked Iran to destroy its navy and ballistic missile forces (**Spetalnick, 2026**). Analysts note that Trump’s rhetoric veered towards regime change, but official briefings emphasised military rather than political goals. The Modern War Institute cautions that regime change “without boots on the ground is very unlikely” (**Laité, 2026**). When joint forces of US and Israel attacked Iran and killed Supreme leader Khamenei, Iran retaliate with missiles and drones to Israel and American bases in the region. The conflict left enormous damage, thousands of people dead in Iran and Lebanon dozens dead in Israel and Gulf Arab States and millions of people displaced in the region, including more than one-sixth of the population in Lebanon. The danger of crossfire and threats from Iran in particular led to severe disruption of traffic through the Strait of Hormuj, one of the world’s most volatile oil chokepoints, leading to fuel shortages in parts of Asia and rippling effects across the global economy. Painful fuel shortages are beginning to drive violence and instability in parts of Asia, adding to the cascade of repercussions from the U.S.-Israeli war on Iran.

The U.S. and Israeli war with Iran quickly morphed from a regional conflict into a global energy shock. Oil and gas markets have been volatile since the start of the war, with crude oil prices rising 59 percent since Iran’s effective closure of the Strait of Hormuz, one of the world’s most important energy chokepoints (**Holland, 2026**). The US-Israeli war on Iran will have a profound impact on the global energy markets. It has already sent the price of the benchmark Brent crude oil soaring to nearly \$120 per barrel, close to its highest point of \$147 recorded in July 2008. By contrast, the 2026 US–Iran war has resulted in a physical chokepoint, taking offline part of the supply of oil and gas due to the closure of the Strait of Hormuz. Tanker traffic disruptions have forced Gulf producers to curtail output as they have run out of storage capacity. In addition, Iranian strikes on gas and oil infrastructure have resulted in some damage and the shutdown of many facilities as a precaution. These infrastructure attacks have amplified uncertainty, increasing risk premiums, and removing some production capacity from the market. The International Energy Agency assesses that the current episode is the largest supply disruption in the history of the global oil market, with flows through Hormuz collapsing from 20 million barrels per day to a trickle and Gulf production cuts of at least 10 million barrels per day. The alternatives are limited. There is the Dolphin pipeline, which runs from Qatar through the United Arab Emirates and to Oman and transports 20-22 bcm a year. The pipeline itself does not have much extra capacity to take on more gas, and Oman’s LNG terminals, where gas is liquefied, also cannot accommodate an increased flow (**Nikolay, 2026**). The impact can be felt everywhere, but in Asia where nearly every country is highly dependent on Middle Eastern oil the war has caused outright energy panic, with governments scrambling to respond and having few short term answers. Many countries are also enforcing fuel rationing and directing limited fuel supplies to essential locations like hospitals. But along with reduced consumer demand, Governments triage of where fuel goes while necessary is hurting Asian economies. Factories in the region’s export dependent economies are shuttering or operating part-time. (**Richter, 2026**).

Direct Impacts of the conflict: Bangladesh fell into economic, social and political crisis : Global markets are already responding, with oil prices rising above \$100 per barrel, LNG cargoes delayed, and freight cost increasing fertiliser price also increasing, posing risks to food production. Shortage in fuel, fertiliser or shipping can disrupt the economy even than price increase alone (IANS, 2026). The crisis due to the Iran war is perhaps most visible in Bangladesh, which imports 95% of its oil and 30% of its gas. With gas supplies down to a trickle, Bangladesh is now grappling with widespread power outages. In Bangladesh the garment industry – a primary economic engine – is reeling from the crisis, with reports of widespread mill shutdowns, falling production and mounting financial losses (Mukherji, 2026).

In Bangladesh, illegal syndicates are stealing fuel in the middle of the night and raiding transport vehicles to stockpile supplies, according to a trade association for gas station owners. Gas pump workers in Bangladesh as well as in neighbouring India and nearby Pakistan have been killed in fuel thefts or rage-driven assaults over the lack of supplies, authorities said. Still, it is countries like Bangladesh, with more than one-quarter of its 175 million people living in poverty, where the risk of insecurity is highest. Law and order conditions of the country deteriorating day by day due to shortage of energy after the crisis in Iran (Tan, 2026). Tea stalls, shopping malls, grocery shops, and poultry markets — signs of disruption are everywhere. As evening sets in, a strange stillness grips areas that were once among the busiest in Dhaka. Shopping malls and large stores begin shutting down early, calculating their daily earnings before pulling down their shutters. The streets are empty. Markets are closed," said rickshaw puller Golam Mohammad Mia. Such emptiness creates problem in their earning. Evening-based small businesses, especially those operating on footpaths, are among the worst affected (Rashel, 2026).

The crisis effects the rural economy of Bangladesh because in rural Bangladesh, millions of families depend on income from relatives working abroad, particularly in the Middle East. Around 7 million Bangladeshis currently live and work in Middle Eastern countries. Saudi Arabia hosts the largest number, with around 3.5 billion Bangladeshis, who remit \$5 billion annually back to their home country. Bangladeshi workers began joining the Saudi Arabia labour market since the 1970s and now make up the largest expatriate community there. Behind Saudi Arabia, the United Arab Emirates has around eighty-five thousand Bangladeshi migrant workers. Qatar hosts around forty thousand, Kuwait 35 to 40 thousand, Oman more than seventy thousand, and Bahrain more than one lakhs. Most of them work in construction, transport, cleaning, restaurants, retail shops, and petrol stations – jobs that are physically demanding, low-paid, and often insecure. Yet for many rural families, these jobs remain the most reliable path to financial stability. The money these workers send home has reshaped rural Bangladesh over the past two decades. In 2025, Bangladesh received more than 30 billion us dollar in remittances, much of it from the Middle East. This money builds houses, pays for education, supports elderly parents, funds small businesses, and keeps village economies running (Rizye, 2026). Bangladesh's agricultural backbone relies on nitrogen-based fertilisers, most of which are derived from natural gas and traded through Gulf supply routes. When the Russia-Ukraine war disrupted global fertiliser markets in 2022, Bangladeshi farmers felt it acutely, in higher input costs, reduced yields, and a squeeze on rural incomes. A disruption in the Strait of Hormuz would trigger a similar shock, potentially worse. Fertiliser prices are already climbing if shipping lanes remain under threat, the next planting season could become a crisis. Higher oil prices Bangladesh's food supply chain becomes more expensive. The Iranian conflict is a reminder that in a deeply interconnected world, no country is truly insulated from the consequences of war. Food security, energy stability, and the welfare of our diaspora workers are not secondary concerns—they are at the core of national interest. Bangladesh has navigated global shocks before. But this time, navigation requires a firm hand on the wheel. This is the moment for our policymakers to demonstrate that they are watching, thinking, and acting, before the crisis further (Quasem, 2026).

How BNP government deals with the problem : Immediately following the BNP government's assumption of office, the Iran war broke out. The entire world is in turmoil due to this conflict, and the waves of this war have hit Bangladesh as well. The energy crisis is intensifying; consequently, the energy-dependent economy now faces a disaster. The government has already taken several steps to mitigate the crisis. To manage the situation arising from the Middle East war and to conserve energy, the government has adopted some austerity measures. According to new decisions, along with changes in the timings of public and private offices, strict directives have been issued to save

electricity and fuel. However, we must remember that unless we are all conscious and behave responsibly, overcoming this crisis will be difficult (**Karim 2026**). Under the new rules, government offices will run from 9 a.m. to 4 p.m., while markets and shopping centres must shut by 6 p.m. to reduce electricity use. The government has also ordered cuts in nonessential public expenditure and urged lower power consumption in industry, with curbs on excessive lighting, for example. The education ministry will issue guidelines for schools from Sunday, with options such as adjusting timetables and shifting to online classes being considered. Bangladesh has rationed fuel to mitigate shortages, besides limiting vehicle sales and shortening fuel station hours amid panic buying, hoarding and long queues (**Reuters, 2026**).

It is true that if the country had been governed properly over the last year and a half, today's crisis would not have been this deep. The Yunus government left the country practically bankrupt. They ran the nation by taking loan after loan, devastating the private sector. By December 2025, Bangladesh's total external debt stood at \$113.51 billion (or 11,351 crore US dollars). In Bangladeshi currency, this amounts to 1,396,173 crore Taka. The private sector is the main driving force of the country's economy. Yet, during the tenure of the Yunus government, thousands of factories were shut down. Millions of workers became unemployed. New investments ceased. Major industrial entrepreneurs were harassed with false cases. The country's economy is now a mere skeleton. The nation has survived on foreign loans and remittances from expatriates. Now, the Iran war may hinder the flow of remittances. It has become difficult for the current government to secure new loans. The interim government did not take even the minimum measures for the country's energy security. They took no initiative to reduce subsidies in the power sector. Instead of taking action against power plant contracts that went against national interests, they left the burden of the power and energy crisis on the shoulders of the elected government (**Karim, 2026**). After securing a majority, the newly formed government has adopted a range of policy measures aimed at addressing the current energy crisis. Its election manifesto also outlines a comprehensive agenda focusing on renewable energy development, fossil fuel management, waste management, and other environmental initiatives.

For the new BNP (Bangladesh Nationalist Party) Government in Bangladesh, the war could not have come at a worse time. Rahman has hardly settled down in office along with his team, struggling hard to put the country's economy back on track, and restore the rule of law. On top of his already overflowing plate of political/economic troubles, now Rahman must find a way out of the impending 'fuel emergency' (as some Dhaka-based observers see it) that has arisen because of the war in Iran, through no fault of his — a formidable task for any political leader who, in cricket parlance, has barely come to the increase and perhaps not yet taken his guard (**Indian Press Agency, 2026**).

Bangladesh has already started facing problems. The onset of the Iran conflict in early 2026 has precipitated a pronounced macroeconomic shock across the global economy, driven primarily by energy price volatility, strategic contestability over the Strait of Hormuz, and an escalating shift toward a protracted war of attrition. This external shock poses severe risks to Bangladesh's key macroeconomic aggregates. Economists project a potential GDP growth reduction of 1.2 to 3 percentage points if the conflict persists through the fiscal year. Simultaneously, soaring LNG and fuel costs are feeding directly into heightened consumer price inflation via pass-through effects (**Ali, 2026**).

Iran conflict and the crisis of fuel compelled the new government to take some policy initiatives- First, they given emphasis on national interests and installed a new comprehensive national policy. Climate change, economic realities, energy security, and renewables must be integrated into a long-term vision. Second, corruption and opacity in the energy sector must end. Transparency in project selection and contracts will reduce unnecessary costs and restore public trust. Third, substantial budget allocations must support domestic exploration. Fourth, subsidies for imported fossil fuels should gradually shift toward renewables. Businesses have a crucial role here. Rooftop solar, captive generation, and energy-efficient technologies should be adopted widely. The government must encourage this transition through tax incentives, easy loans, and policy support. Fifth, approval of new coal- or oil-based power plants must stop, and inefficient plants should gradually be converted to renewable facilities. Without reducing irrational costs such as capacity payments, the sector cannot become financially sustainable. Sixth, instead of building new LNG terminals, focus should shift to preventing gas wastage. Gradually encouraging industries to switch

from gas to electricity and using technology-based monitoring to stop leaks and illegal connections are essential (Rana, 2026).

Operations at four of its five state-run fertiliser factories were also halted. Amid the crisis, the Tarique Rahman-led government approached India for help. He finds new opportunity to strengthen relations with India through the India-Bangladesh Friendship Pipeline, which was operationalised in 2017. Much of it is being sent from the Numaligarh refinery in Assam. On March 10, India sent 5,000 tonnes of diesel, which is part of a 15-year agreement. An additional 10,000 tonnes will be sent next week. A fresh consignment of 7,000 tonnes of diesel is also being sent. The development comes at a time when a new government led by Tarique Rahman has signalled a reset in ties with India. The ties reached a nadir under interim chief Muhammad Yunus following the ouster of Sheikh Hasina in August 2024. A surge in anti-India sentiment and campaigns like "Boycott India" coincided with Bangladesh warming up to Pakistan (De, 2026).

Conclusion : If the newly elected government can successfully navigate the short-term turbulence while decisively reducing its dependence on fossil fuels, the current crisis could become a turning point for sustainable growth. By strengthening regional cooperation with other South Asian nations, Bangladesh can lower its reliance on external fuel sources. At the same time, investing in long-term renewable energy policies and rebuilding strong ties with India will provide both economic stability and energy security. With strategic planning, regional collaboration, and a clear commitment to renewable energy, Bangladesh has the opportunity not only to overcome the present crisis but also to emerge more resilient, self-reliant, and better prepared for future challenges.

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