BIPSS Commentary
www.bipss.org.bd
August -2026

Graduating into Fragility: Bangladesh's LDC Exit as a Non-Traditional Security Event

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Image: The Business Standard

Introduction

Bangladesh is scheduled to graduate from the United Nations' Least Developed Country (LDC) category On 24 November 2026. The event is widely presented as a milestone of economic and social progress. Bangladesh has achieved sufficient improvements in income, human assets and structural vulnerability to move beyond the LDC classification. However, as the graduation date approaches, the narrative of an uncomplicated success story has become increasingly difficult to sustain. In February 2026, Bangladesh formally requested a three-year extension of its preparatory

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period, citing political, economic, environmental and external shocks that had constrained its ability to prepare adequately for the transition. In June, the UN Committee for Development Policy (CDP) recommended an extension, and in July the UN Economic and Social Council (ECOSOC) recommended that the UN General Assembly take the final decision on the request.[2] Bangladesh has met the UN's graduation thresholds, but its economy remains highly dependent on a narrow export base, preferential market access, migrant remittances and external economic conditions. At the same time, the country remains highly exposed to climate change and natural hazards. This makes Bangladesh's LDC exit relevant not merely to development economics but also to the broader concept of non-traditional security (NTS). The central argument of this commentary is therefore that Bangladesh's LDC graduation should be understood as a non-traditional security event. The loss or gradual withdrawal of international support measures could affect export competitiveness; export pressures could affect employment; employment insecurity could affect household welfare and migration. These economic pressures could interact with climate shocks, inequality and social vulnerability. The security question is consequently not whether Bangladesh will graduate, but whether it can graduate without allowing economic transition to become a source of broader human insecurity.

From Development Milestone to Security Question

Bangladesh's graduation is a remarkable development achievement. The country has transformed from a predominantly aid-dependent economy into a major manufacturing and export hub, particularly through the ready-made garment (RMG) sector. According to the World Trade Organization, RMG exports contribute more than US$36 billion, which accounts for approximately 81% of Bangladesh's total exports and almost 8% of GDP.[3] The sector employs around 4.5 million workers, with women representing more than half of the workforce. These figures demonstrate how deeply Bangladesh's economic and social stability has become connected to its export-oriented industrial model.

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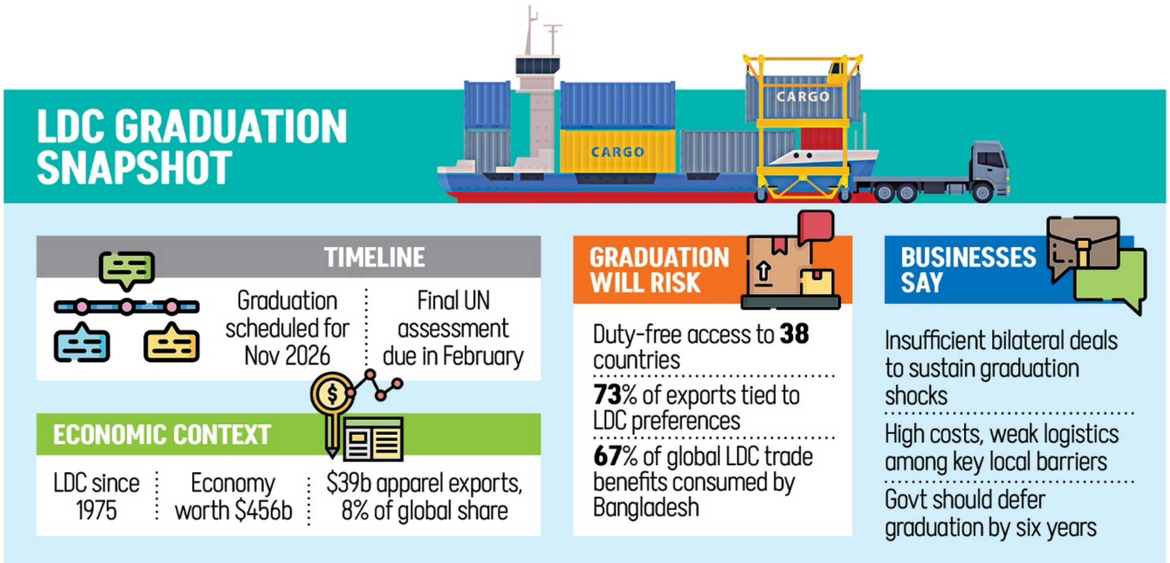
[2] Business Report, Star. 2026. "UN Body Refers Bangladesh's 3-year LDC Extension Request to General Assembly." The Daily Star. 2026. https://www.thedailystar.net/business/news/un-body-refers-bangladeshs-3-year-ldc-extension-request-general-assembly-4229811.

[3] "LDC Success Stories." n.d. Accessed September 6, 2026. https://www.wto.org/english/tratop_e/devel_e/ssldcs4rd_e.pdf.

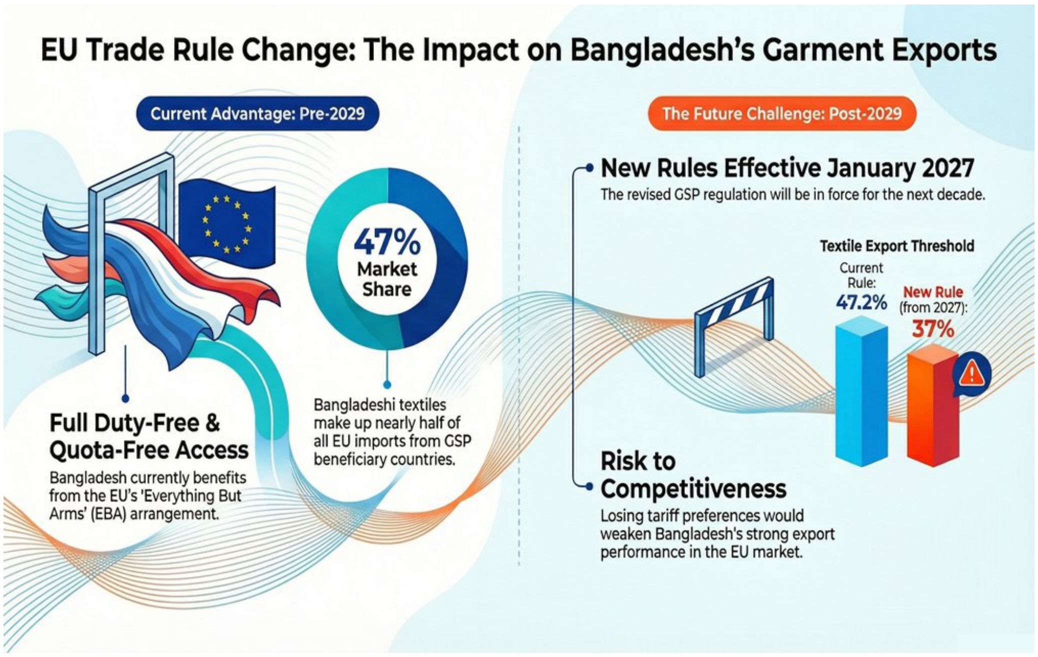


Source: The Daily Star

However, this structure is a paradox. The same export concentration that helped Bangladesh achieve graduation can also become a source of vulnerability after graduation. The RMG industry remains heavily dependent on external markets, preferential access, international buyers and increasingly demanding labour and environmental standards. Bangladesh's competitiveness has historically benefited from relatively low production costs and LDC-specific trade advantages. Once those advantages diminish, firms will have to compete more directly through productivity, technology, quality, compliance and diversification. A disruption in this transition would therefore affect trade sector. It could also affect employment, household incomes, women's economic participation and local economies built around manufacturing. This is where the concept of non-traditional security becomes particularly relevant.

The World Bank estimates that graduation could significantly affect Bangladesh's export competitiveness, particularly after the transition period associated with the European Union's Everything But Arms (EBA) preferences. It notes that the consequences will vary across markets and that clothing exports are particularly exposed. Although Bangladesh has repeatedly demonstrated significant adaptive capacity, from managing natural disasters to sustaining export growth and improving social indicators. Yet resilience is uneven. Households dependent on low-wage employment, small firms with limited access to finance, workers with limited transferable skills and communities exposed to climate hazards may possess considerably less capacity to absorb economic disruption than large firms or highly skilled workers. LDC graduation could therefore redistribute risks across society in unequal ways.

Trade Dependence and Economic Security



Source: Bizbd Review

The most immediate security implication of graduation is economic security. Bangladesh's export structure remains highly concentrated in garments. The ready-made garment (RMG) sector alone accounts for roughly 81–84 percent of total merchandise export earnings and directly employs an estimated 3.8 to 4.5 million workers. The European Union alone absorbs roughly 60 percent of that trade, entering largely duty-free under the "Everything But Arms" (EBA) arrangement available only to LDCs.[4] EU's EBA arrangement provides duty-free and quota-free access for LDCs. he European Union's new Generalised Scheme of Preferences framework provides graduating LDCs with a transition period and the possibility of applying for GSP+, subject to eligibility and compliance requirements. This means that market access after graduation will

[4] The Daily Star. 2026. "The Daily Star." The Daily Star. 2026. https://www.thedailystar.net/tags/bangladesh-ldc-graduation-2026.

increasingly depend not simply on Bangladesh's LDC status but on its ability to demonstrate compliance with international commitments on labour rights, human rights, environmental protection, climate and governance.[5]

This creates a new form of economic security challenge: standards become strategic assets. abour rights, environmental compliance, traceability, workplace safety and climate-related production standards are often treated as regulatory or commercial issues. For Bangladesh, however, they increasingly determine whether firms retain access to important markets. Failure to upgrade standards could therefore produce consequences extending beyond individual companies. Compliance should consequently be viewed not merely as a cost of exporting but as an investment in national economic resilience.

World Bank cited that, Bangladesh's total exports could decline by approximately US$5.37 billion, or 14.3 percent of initial exports, as LDC-specific preferences are phased out, with the largest impact concentrated in the European market and clothing exports. These are projections rather than predictions, and the actual outcome will depend on trade negotiations, GSP+ access, productivity gains, exchange rates and market responses.[6]

Human and Societal Security: Who Absorbs the Shock

Economic insecurity becomes human insecurity when changes in trade and production affect livelihoods. According to World Bank, nearly nine in ten Bangladeshi workers remain in the informal sector, and roughly three in five are in vulnerable employment. It means that, the formal social protections that might cushion a trade shock simply do not exist for most of the workforce. The RMG industry is particularly significant because it provides large-scale formal employment to workers who may have limited alternatives. The International Labour Organization has described the sector as Bangladesh's main export industry and an important provider of formal employment, particularly for low-skilled and entry-level workers. Women constitute a substantial

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[5] অর্থনৈতিক সম্পর্ক বিভাগ. 2024. "Smooth Transition Strategy (Sts) | পাতা | অর্থনৈতিক সম্পর্ক বিভাগ." অর্থনৈতিক সম্পর্ক বিভাগ. 2024. https://erd.gov.bd/pages/static-pages/6940329535ce18e1c055ee29.

[6] "Change of Fabric." n.d. Accessed September 6, 2026. https://documents1.worldbank.org/curated/en/099400009232233045/pdf/P1750610db2026066085a802b16079592d7.pdf.

proportion of this workforce, making the future competitiveness of the sector directly relevant to women's economic participation.[7] Many of those women are first-generation industrial workers from rural households, who migrated to Dhaka and Chattogram precisely because garment work offered a rare formal-sector foothold. A demand shock concentrated in this sector is therefore also a shock to the single largest channel of female economic empowerment the country has built over the past four decades; with second-order effects on household bargaining power, girls' education financing, and rural-to-urban migration patterns that are not captured by GDP or export figures alone. This is precisely the kind of harm that non-traditional security analysis is designed to register: a threat that does not touch the state's borders but degrades the material security and social standing of a specific, identifiable population at scale.

The employment challenge is also connected to technological transformation. Bangladesh cannot preserve competitiveness indefinitely through low labour costs. Automation, artificial intelligence, digital manufacturing and increasingly sophisticated supply-chain systems are changing the global apparel industry. The WTO has noted that as many as 60 percent of RMG jobs could be vulnerable to automation by 2040 if the industry does not evolve.[8] This doesn't necessarily mean that, 60% of workers will lose their job, it signals the scale of potential occupational transformation. The same logic applies beyond garments. Graduation creates pressure to diversify into pharmaceuticals, leather goods, light engineering, electronics, agro-processing, ICT-enabled services and other higher-value sectors. UNCTAD and its partners have repeatedly stressed the importance of accelerating Bangladesh's production transformation through diversification and innovation. However, diversification cannot be achieved simply by announcing new industries. It requires reliable infrastructure, affordable finance, skills, technological capacity, efficient customs, predictable regulation and access to international markets.

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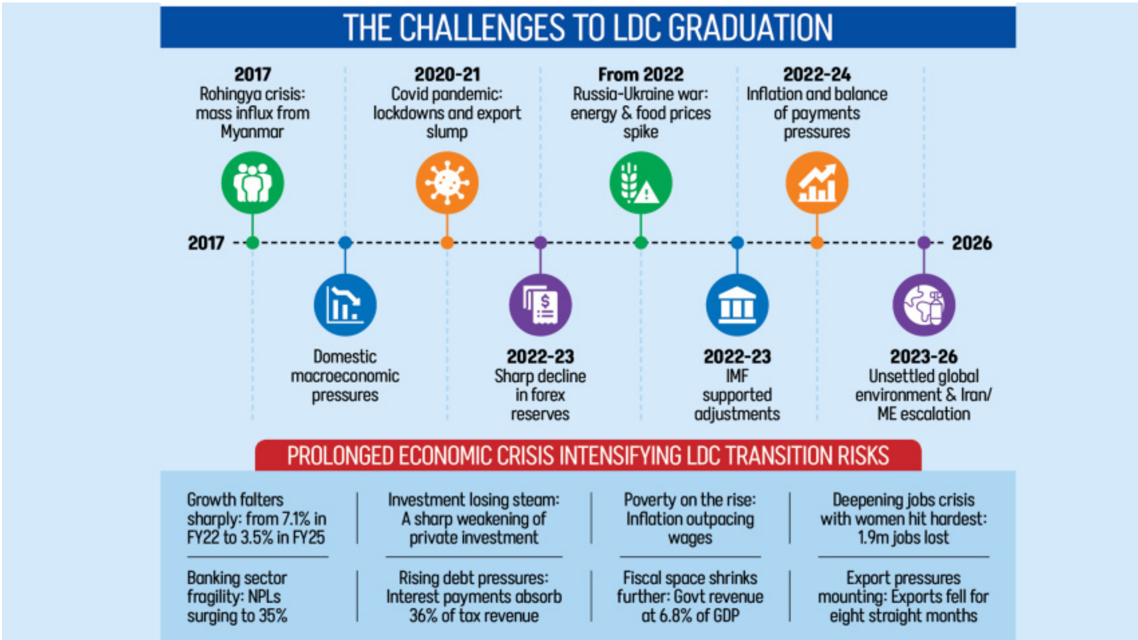
[7] "Gender Equality in the Bangladesh RMG Industry | International Labour Organization." 2020. Www.Ilo.Org. January 8, 2020. https://www.ilo.org/publications/gender-equality-bangladesh-rmg-industry.

[8] "LDC Success Stories." n.d. Accessed September 6, 2026. https://www.wto.org/english/tratop_e/devel_e/ssldcs4rd_e.pdf



Source: The Daily Star

Environmental Security: Losing Climate Support as Climate Risk Peaks

Climate change adds another layer to the graduation-security nexus. Bangladesh is regularly ranked among the most disaster-prone countries in the world. It has projected to lose as much as 17% of its land area to sea-level rise by 2050, with a corresponding loss of roughly 30% of current agricultural land.[9] The Notre Dame Global Adaptation Initiative ranks Bangladesh as the 30th most climate-vulnerable country in the world while placing it 156th out of roughly 180 countries on readiness to adapt.[10] he World Bank has separately estimated that Bangladesh needs at least $12.5 billion, or about 3 percent of GDP, in medium-term climate financing simply to manage existing exposure.[11]

The interaction between climate change and LDC graduation may become particularly significant in coastal and climate-exposed communities. Climate-induced displacement can increase pressure

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[9] Veer, Amruta. 2025. "Climate Change Exposes Bangladesh to Greater Risk." Bipr.Jhu.Edu. 2025. https://bipr.jhu.edu/BlogArticles/31-Climate-Change-Exposes-Bangladesh-to-Greater-Risk.cfm.

[10] "Bangladesh | ND-GAIN Index." 2023. Nd.Edu. 2023. https://gain-new.crc.nd.edu/country/bangladesh.

[11] World Bank. 2022. "Key Highlights: Country Climate and Development Report for Bangladesh." World Bank. October 31, 2022. https://www.worldbank.org/en/news/feature/2022/10/31/key-highlights-country-climate-and-development-report-for-bangladesh.

on urban labour markets, housing, infrastructure and public services. If employment opportunities are expanding in diversified industries, migration can contribute to economic transformation. If economic growth is insufficient to absorb new workers, however, migration can increase informal employment and pressure on already constrained urban systems. The security outcome therefore depends not simply on whether migration occurs, but on whether Bangladesh possesses the institutional and economic capacity to manage it.

LDC status currently gives Bangladesh privileged access to concessional and grant-based climate finance instruments, alongside its trade preferences. This is why graduation should be incorporated into Bangladesh's broader climate-security framework. Investments in resilient infrastructure, disaster preparedness, climate-smart agriculture, social protection and green industrialization can simultaneously reduce environmental vulnerability and strengthen economic competitiveness.

The Regional Overlay

Two further dynamics thicken the security picture. The first is the Rohingya refugee presence in Cox's Bazar, now in its ninth year and showing no sign of resolution. More than one million Rohingya refugees remain confined to camps that Bangladesh manages through ad hoc administrative arrangements rather than settled law. The 2026 Joint Response Plan appeal was cut by 26 percent to $710.5 million even as needs have grown, and aid agencies now project that around 35% of the refugee population will face crisis or emergency levels of hunger before the end of the year.[12] Hosting this population has never been treated as an LDC-specific benefit in the formal sense, but Bangladesh's diplomatic leverage in seeking international burden-sharing has long rested partly on its status as a resource-constrained developing country and graduation complicates that narrative.

The second dynamic is great-power positioning around Dhaka's political transition. Under the Yunus interim government, Bangladesh's foreign policy visibly tilted toward closer engagement with Beijing on infrastructure, investment, and defence cooperation, while also reopening trade

[12] Save the Children. 2026. "Bangladesh: 35% Of Rohingya Refugees Face 'Crisis Hunger." Save the Children. August 16, 2026. https://www.savethechildren.org/us/about-us/media-and-news/2026-press-releases/bangladesh-rohingya-refugees-face-crisis-hunger.

and military channels with Islamabad; developments that have unsettled New Delhi's traditional assumption of primacy in Dhaka.[13] Washington moved to protect its own economic foothold just three days before the February election, signing a reciprocal trade arrangement that trimmed tariffs and offered limited duty-free access for select textile shipments, while simultaneously voicing concern about expanding Chinese influence. None of this is LDC graduation-specific, but it means Bangladesh is negotiating the terms of its post-LDC trade relationships; GSP+ with Brussels, tariff arrangements with Washington, infrastructure financing with Beijing etc. inside a wider contest for strategic influence.

International Cooperation and Strategic Resilience

LDC graduation does not mean the end of international cooperation. Instead, it changes the terms on which cooperation takes place. Bangladesh will have to move progressively from a relationship centered on LDC-specific privileges toward partnerships based on competitiveness, standards, investment, technology, climate finance and institutional cooperation. The Smooth Transition Strategy (STS) itself places international partnerships among its core pillars.[14] The European Union will remain particularly important. The EU has designed transitional arrangements for countries graduating from LDC status and allows graduating LDCs to move toward GSP+ arrangements subject to relevant conditions. At the same time, Bangladesh should avoid replacing one form of dependence with another. The long-term objective should be diversified economic relationships across Europe, North America, East Asia, South Asia and emerging markets. Diversification of trading partners can reduce exposure to individual market shocks, while stronger regional connectivity can create opportunities for supply-chain integration. The objective is not economic isolation but strategic interdependence on more resilient terms.

Economic resilience increasingly shapes strategic autonomy. A country heavily dependent on a narrow range of markets, technologies, financial channels or supply chains has less chances to recover during crises. Bangladesh's post-LDC strategy should therefore connect trade policy with

[13] Dawar, Tanya. 2026. "Bangladesh's 2026 Election: BNP Landslide Ends 'Two Begums' Era." Asia Pacific Foundation of Canada. February 19, 2026. https://www.asiapacific.ca/publication/bangladeshs-2026-election-bnp-landslide-ends-two-begums-era.

[14] অর্থনৈতিক সম্পর্ক বিভাগ. 2024. "Smooth Transition Strategy (Sts) | পাতা | অর্থনৈতিক সম্পর্ক বিভাগ." অর্থনৈতিক সম্পর্ক বিভাগ. 2024. https://erd.gov.bd/pages/static-pages/6940329535ce18e1c055ee29.

foreign policy, climate diplomacy, technology policy and development cooperation. Graduation provides an opportunity to build a more diversified external economic architecture.

Towards a Non-Traditional Security Framework for Graduation

The most important conceptual shift is to stop treating graduation as a single economic event. It should instead be understood as a multi-dimensional risk transition. The economic dimension concerns exports, investment and competitiveness. The societal dimension concerns employment, inequality and social cohesion. The environmental dimension concerns climate vulnerability and disaster resilience. The human dimension concerns livelihoods, skills and household security. The political dimension concerns the state's capacity to implement difficult reforms and distribute the costs and benefits of structural transformation.

This approach also encourages a shift from reactive policy to anticipatory governance. Rather than waiting for export declines, factory closures, unemployment or climate displacement to become crises, the government can establish early-warning indicators. These could include export concentration, factory-level competitiveness, employment changes, youth unemployment, household vulnerability, regional migration, climate-related displacement, banking-sector stress and fiscal capacity. Such indicators could be monitored through an inter-ministerial graduation resilience mechanism. The private sector must also become an active participant in this process. Regular public-private assessments could identify risks and this would allow targeted intervention rather than broad and potentially inefficient support.

Conclusion

Bangladesh's LDC graduation represents an extraordinary achievement. It reflects decades of progress in human development, economic transformation and productive capacity. But the upcoming reality is more complicated. LDC graduation has the potential to transform economic vulnerability into wider human, societal and environmental insecurity if resilience mechanisms are insufficient. From the non-traditional security lenses, LDC graduation changes the external environment in which existing vulnerabilities are managed. A resilient Bangladesh can absorb those changes and emerge more competitive. A poorly prepared Bangladesh could experience greater pressure on employment, fiscal resources, social protection and climate adaptation. Recognizing LDC exit as a Non-Traditional Security event allows policymakers, international partners, and civil society to move beyond celebratory narratives and address the structural reforms required for a secure transition. Only by aligning economic policy with human security and institutional resilience can Bangladesh turn its graduation from a period of fragility into a foundation for sustainable development.