

TOWARDS BUILDING A MODERN ECONOMY



Graduating out of LDC group with momentum

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Thirdly, having graduated, Bangladesh will not be eligible for support measures accorded to LDCs accorded by multilateral institutions such as the WTO. Special and differential treatment for the LDC members will no longer be available to Bangladesh (in the form of market access, technical assistance, waivers from obligations, protracted implementation period in view of implementing obligations and commitments). Bangladesh will also not be eligible for support for the LDCs under aid for trade, and aid for trade facilitation and support under the enhanced integrated framework (EIF) window of the WTO.

As a recent report by the UNCTAD rightly observes, graduation is the first milestone in the marathon of development, not a winning post of a race to leave the LDC category. Bangladesh should take adequate preparation for the journey ahead. As may be noted here, Bangladesh's graduation journey will coincide with a period of slow recovery of the global economy following several years of stagnation and slowdown in the aftermath of the financial-economic crises of 2007-8. Bangladesh's commendable HAI and EVI average scores conceal vulnerabilities in terms of a number of sub-indicators which will require special attention on the part of policymakers, and need targeted resource allocation.

Going forward, building on the record of past performance will be increasingly challenging as hard-to-reach areas and communities get to be targeted to address the formidable vulnerabilities. For example, to achieve further progress in terms of social development indicators, the solutions are likely to be more capital-intensive than the many low-cost solutions of the past and present.

Bangladesh continues to remain a highly challenged country in terms of climate vulnerabilities. While

Bangladesh has demonstrated significant success in disaster management, natural disasters remain an uncertain variable in any equation involving the future trends.

Mitigating the impact of climate change should remain high on the policy agenda of Bangladesh. Graduation from the LDC group will likely adversely affect Bangladesh's likelihood of receiving preferential climate financing from such global

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sources as infrastructure development fund, climate change adaptation funds and technology-related green climate fund. On the other hand, improvements in standards of living, thanks to higher income levels, will hopefully better equip people in addressing, and adapting to, natural disasters.

That Bangladesh is on track for consideration for LDC graduation is in itself indicative of her robust track record in terms of some of the key

macroeconomic and sectoral performance correlates. Crossing the thresholds relating to the three graduation criteria, and maintaining the record, speak of the underlying strengths of the economy and a degree of demonstrated resilience. However, it needs to be conceded that graduation criteria limit themselves to only some selected indicators, albeit important ones. Graduation with resilience, stamina and momentum demands looking beyond an 'instrumentalist' approach to graduation, and calls for a need to look at graduation from the broader perspective of structural transformation of the economy in the era of the SDGs that aspires to leave no one behind.

In view of the above, the following section articulates elements of a possible strategy towards Bangladesh's graduation with momentum and sustainability beyond 2018.

DESIGNING A TRANSITION STRATEGY

Once Bangladesh becomes a candidate-LDC for graduation, UNCTAD will prepare a vulnerability profile for Bangladesh identifying areas that will call for closer attention from the perspective of smooth transition. DESA will also prepare an *ex ante* impact assessment before the second triennial review. Bangladesh should take advantage of this opportunity to prepare a draft response/comments (although this is optional) which can get the ball rolling in preparing Bangladesh's envisaged LDC graduation strategy.

STRUCTURAL TRANSFORMATION

At a time when Bangladesh will be considered for graduation in 2018, about 30 million people will still be living below the national poverty line, about half of whom would be living below the extreme poverty line. 'Lewisian turning point' of the economy (with shift from agriculture to manufacturing activities in the economy) will still be a journey in the

making. Supply-side diversification and shift from factor-driven to productivity-driven economy will continue to remain a challenge for Bangladesh. Bangladesh will need to put high priority on technology upgradation, skills endowment, productivity enhancement and higher competitive strength. Institution and incentives, fiscal and monetary policies, and allocative and use efficiency of resources will need to be geared to address the needs of the structural transformation of the economy.

STRENGTHENING MARKET ACCESS

As was noted earlier, one of the major implications of Bangladesh's graduation from the LDCs will entail significant loss of preferences currently being enjoyed by Bangladesh as an LDC. MFN (most favoured nation) rates on key exportables from Bangladesh remain relatively high; consequently, likely preference erosion and the resultant loss of competitiveness could be significant. In view of this, Bangladesh will need to deploy renewed efforts towards supply-side capacity building, raise export competitiveness and ensure product and market diversification. This will call for adequate investment, a proactive trade policy for strengthened global integration and ability to attract significant FDI.

GETTING READY FOR THE GLOBAL TRADING SCENARIO

For Bangladesh, the global trading scenario is expected to become even more challenging during her LDC transition phase. One already observes a move away from multilateral trading discipline under the WTO, towards a system dominated by mega-regionals and cross-regional FTAs. Bangladesh will be required to pursue a strategic trade policy that will enable her to take advantage of emerging opportunities. Proactive partnerships in view of regional and sub-regional initiatives such as Bangladesh, Bhutan, India,

Nepal Motor Vehicles Agreement (BBIN MVA), Bangladesh, China, India and Myanmar Economic Corridor (BCIM-EC) will be needed. However, all these will call for adequate preparations. There are 139 SDT (special and differential treatment) provisions in the WTO for developing countries and LDCs of which 14 are specific to the LDCs (UNCTAD, 2016). Bangladesh will need to take energetic steps for taking advantage of the 125 SDT provisions targeted for the developing countries for which Bangladesh will be eligible following her graduation.

GETTING READY FOR THE NEW AID ENVIRONMENT

As noted earlier, graduation from LDCs will entail significant changes in the terms and conditions of aid received by Bangladesh from global institutions and multilateral agencies. Bangladesh will need to address a number of issues: rising cost of assistance, increasing external debt burden, negotiating access to new financing opportunities including from AIIB, BRICS Bank, and raising capital through issuing sovereign bonds in the international market. Meanwhile, maximum utilisation of aid in the pipeline (of about USD 22 billion) should be given priority. Negotiating with bilateral development partners for assistance on favourable terms following LDC graduation will remain a possibility which will need to be exploited.

LEARNING FROM THE GRADUATED LDCS

Bangladesh should take due lessons from the experience of LDCs which have already graduated. It is seen that graduated LDCs have pursued policies that were targeted towards reducing specific vulnerabilities. Thus, Botswana pursued policies to diversify its economy from over-dependence on diamond mining; Cabo Verde which did not have any mineral resources pursued prudent macroeconomic management and

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Cabo Verde pursued prudent macroeconomic management and harnessed the power of the private sector through development of the tourism sector.

SOURCE: PINTEREST